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A CRITICAL EVALUATION OF TRADE AND BALANCE OF PAYMENTS PROBLEMS IN THE AFRICAN LEAST DEVELOPED, ISLAND AND LAND-LOCKED COUNTRIES

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A CRITICAL EVALUATION OF TRADE AND BALANCE OF PAYMENTS PROBLEMS IN THE AFRICAN LEAST DEVELOPED, ISLAND AND LAND-LOCKED COUNTRIES

> The South cannot count on a significant improvement in the international economic environment for its development in the 1990s. The development of the South will therefore need to be fuelled by its own resources to a much greater degree than in the past. The countries of the South will have to rely increasingly on their own exertions, both individual and collective, and to reorient their development strategies, which must benefit from the lessons of past experience [The Report of the South Commission, Oxford (1990) p. 79].

I. INTRODUCTION

1. On the eve of the 21st century, 212 million people in the African Least Developed Countries are locked in intolerable poverty from which they cannot easily escape. No matter what economic and social indicators one cares to examine, there has been significant and sometimes precipitous retrogression in the African LDCs in the 1980s. There is less food per person today than a decade ago. In 1989, out of 1000 children born into poverty, 123 died before they reached the age of one, as compared to 110 for sub-Saharan Africa. At the end of the 1980s, almost 40 per cent of the pre-school children suffered from acute protein deficiency, compared to 16 per cent in Asia and 4 per cent in Latin America. Average life expectancy, at 49 years, is 3 years below the global LDCs' average, 5 years less than the all-Africa average, and 15 years less than the average for all developing countries. The percentage of illiterates in African LDCs was about 62 per cent of its adult population, as compared to 63 per cent for sub-Saharan Africa. Unemployment is becoming increasingly endemic, and, in many towns, 50 to 60 per cent of the youth are out of work. One African migrant out of 5 is a refugee, and one refugee out of every 2 in the world is African.

2. The economic crisis, of both internal and external origins, has been equally devastating. In 1981 real GDP growth rate (at 1980 factor cost) was 2.7 per cent, but -0.3 per cent in 1990. The low level of domestic savings constitutes a structural impediment to economic growth. Many governments are diverting an inordinately

high proportion of their limited national savings away from productive investment and into simple maintenance of the current low levels of existence. Many of these countries have embarked upon a major pruning operation of their import, investment and consumption levels so that there is very little scope for further retrenchment. Whereas investment as a proportion of GDP was 18.7 per cent in 1981, it had declined to 13.8 per cent by 1990; and the domestic savings rate as a percentage of GDP, which was 2.6 per cent in 1981, had by 1990, declined to 2.0 per cent. Over the same period, the current account deficits nearly doubled, rising from US$3.3 billion to US$6.4 billion. (Table I)

Table 1
Key Economic Indicators of African LDCs (1981-1990)

	1981	1985	1986	1987	1988	1989	1990
Population, mid-year (million)	174.6	194.4	200.0	203.6	205.3	209.0	222.0
Real GDP growth rate (%)	2.7	-0.7	3.8	3.3	3.5	5.2	-0.3
Domestic demand growth rate (%)	1.9	1.5	2.9	3.9	2.1	5.7	-0.9
Inflation rate (%)1/	1.2	5.9	4.3	-2.4	0.3	4.7	2.5
Agriculture production (FAO index, (1985=100)	89.4	100.0	104.5	102.0	114.0	120.8	118.8
Exports ($ billion)	8.5	5.8	6.5	6.9	7.9	8.3	7.9
Imports ($ billion)	12.3	9.5	10.2	12.0	14.5	15.9	16.9
Current account deficit ($ billion)	3.3	2.7	2.7	3.9	5.1	6.4	6.4
External debt (as % of GNP)	57	79	82	100	99	89	93
Debt service ratio (% of exports of goods and services)	16	18	21	16	17	15	16
Domestic savings rate (% of GDP)2/	2.6	2.5	4.0	3.1	1.7	1.2	2.0
Domestic investment (% of GDP)	18.7	13.9	15.2	15.1	14.3	12.4	13.8
Terms of trade, 1980=100	118.8	105.2	105.2	90.4	76.9	79.0	71.9
Terms of trade losses(-)or gains(+)	...	-3.0	0.0	-3.7	-4.0	0.7	-2.3

Sources: FAO Printout, ECA's National Account Printout, UNCTAD Commodity Yearbook 1990, World Bank World Debt Tables 1990-1991.

1/ In the absence of reliable price statistics, the inflation rate is estimated by the annual change in GDP deflation (1980=100)

2/ Domestic savings rate and domestic investment rate have been calculated from statistics in US$ and at current prices.

3. The external debt stock as a proportion of GNP rose from 57.0 per cent in 1981 to 93.0 per cent in 1990. Indeed, the issue is not so much that African Least Developed Countries resorted to excessive borrowing, but rather that their debt servicing capacity crumbled as their export earnings and prices dwindled. In 1989 external debt, including debt servicing, stood at US$203.9 per capita, in relation to income per capita of US$220.

4. Furthermore, 11 African LDCs are land-locked and five are island countries, which implies high transport costs, reduced competitiveness of exports, high import prices and increased domestic production costs, especially for key production sectors that rely on external sources for essential inputs. The situation is compounded further by a rapid population growth, drought, and severe ecological constraints, particularly deforestation, soil erosion, desertification and water pollution. It is against the backdrop of these structural impediments that any meaningful analysis of the balance-of-payments problem of the African Least Developed, Island and Land-locked countries will have to be undertaken.

5. The study is divided into six parts. Part I is the introduction of the study. Part II attempts a definition of the balance-of-payments problem. In Part III, a critical assessment of the structure of the commodity composition of exports and imports, including the direction of trade is undertaken, followed by a discussion of the structure of the invisible account in Part IV. Part V deals with the structure of the capital account while Part VI focuses on policies and actions for mitigating the deficit in the balance-of-payments of African LDCs.

II. THE NATURE AND ORIGIN OF THE BALANCE-OF-PAYMENTS PROBLEM

6. The African continent inherited an economic strategy primarily dependent on export expansion from the era of colonialism and economic dependence. The colonial institutional structures continued in Africa even after independence. It was thought the 'spill-over effect' of expanded export production would spread into other sectors, and that exports would thus pull the rest of the economy along with them out of poverty and backwardness. However, it was naive to assume that expanding the volume of a limited range of raw material exports, subject to the vagaries of the international market, would allow development to trickle down to the rural poor. Admittedly, in most industrialized countries, where "a high average level of development is accompanied by improved transportation and communication, higher levels of education, and a more dynamic communion of ideas and values [Myrdal (1957)]", trade might have served as an 'engine of growth'. However, "for the vast majority of the typical resource-poor, labour-surplus countries, characterized by a large and stagnant subsistence agricultural sector, trade must be cast in a facilitating but not initiating role. Growth must be viewed as primarily a domestic problem and we must thus inquire, first, into the domestic forces which contribute or hinder growth [Ranis (1964)]". In other words, where fundamental structural changes have not been made to political and economic institutions, and export-dependence has merely been extended, the balance-of-payments problem has tended to widen while underdevelopment has tended to persist [Seidman (1971)]. As a study published some years back has pointedly asked: "what opportunity is there for the export economy to initiate a process characterized by autocentric economic development, thereby achieving a transformation of the existing economic structure? The concept autocentric has, in our context, two important meanings. First, it involves a development process leading towards increased interdependence between the economic sectors of the national economy. Secondly, it involves greater participation of local capital in the productive activities of each sector [Carlsson (1981)]".

7. After nearly three decades of political independence, foreign trade policy in the African LDCs has not significantly departed from the colonial export profile. The balance-of-payments deficits in the majority of African LDCs are the result of structural disequilibrium and have become increasingly persistent and chronic. The shortfall in the external sectors' current receipts is the phenomenon which is neither temporary nor sporadic.

8. The structure of exports of African LDCs is still characterized by the predominance of primary commodities,

concentration on a small number of commodities, and concentration of the leading commodities in a limited number of countries.

9. Another reason for African LDCs' external disequilibrium is to be found in changing terms of trade. Gains from an expanded volume of exports are at times nullified by declining prices for the exported commodities. Under such circumstances, what economists have called "immiserizing growth" is not inconceivable: the gain in income from output expansion can be more than offset by worsened terms of trade so that real income is lower than previous levels. Worse, while Ethiopia is being told to grow more coffee, so are Uganda, Rwanda and Tanzania. That is to say, all the coffee exporting countries are being urged to expand their output of a commodity whose demand in industrialized countries is notoriously inelastic [Marcus (1963)]. Singer sheds further light on the implications of such a situation: 1/

> The pressure on terms of trade due to debt-service is further intensified by the specific 'outward orientation' now pressed upon developing countries and the method of negotiating the structural adjustment needed to obtain debt-service on a country by country basis. This amounts to making the 'small country assumption', i.e. neglecting any impact on other countries and world markets. The 'small country assumption' becomes fallacious if several debtor countries exporting the same or similar commodities are being subjected to the same kind of structural adjustment towards 'outward orientation', with its full complement of devaluation, higher incentive prices to exporters, trade liberalization etc. [Singer (1991) p. 347].

10. Debt servicing constitutes one of the largest components of the deficit in the invisible accounts of African LDCs. And, despite debt relief, the debt service ratio is significantly higher for financially strapped African LDCs. Debt-servicing (payments of principal plus interest) as a percentage of goods and services is estimated at an average of about 16 per cent in 1989-1990. Apart from the high level of external indebtedness, sluggish aid flows and the collapse of private lending are swelling the deficit in the balance of payments. The widespread resurgence of protectionism continues to distort world markets as never before, making it increasingly difficult for the African LDCs to become legitimate

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1/ See also Evans, David and van den Mensbrugghe, Dominique (1991) "Trade Reform and the Small Country Assumption", Paris: OECD Development Centre (March) mimeo.

trading partners. Economic deterioration has been greatly exacerbated by the recession and by the collapse of international commodity prices, following drastic falls in the demand for primary commodities. Consequently, export earnings fall, shortages of foreign exchange become acute and the capacity of African LDCs to finance medium-term national development and structural adjustment programmes is increasingly eroded.

11. To partly offset this deficit in their balance of payments, many African LDCs have been pursuing an inward-looking strategy relying on import substitution to accelerate the pace of economic development and reduce the deficits in their balance of payments. Resources have been extracted from the agricultural sector directly through low producer prices of export crops and indirectly through overvalued exchange rates. In a large number of countries, import substitution was attempted via direct private foreign investment which was offered substantial and indiscriminate protection, local investable funds at low rates of interest, and excessive fiscal concessions such as tax holidays and accelerated depreciation allowances. Despite these generous incentives, however, such policies have not resulted in the self-reliant utilization of African resources and capabilities, mainly because they were attempted under the inherited colonial economic structure: indeed, import substitution in a large number of African LDCs has become heavily dependent on externally derived inputs. For instance, meat-canning relies on imported tin cans, printing depends on imported paper and ink, and the food, textiles, beverages, leather and shoe subsectors consume large quantities of imported chemicals and spare parts. Furthermore, since these industries operate in sheltered markets, investors have been able to charge high prices for their product and maximize profits, without rationalizing uneconomic business structures. This, together with the discrimination, has cost the agricultural sector dearly, as reflected in the sluggish performance of export and food crop production. A significant proportion of the scarce foreign exchange is nowadays used to import food in many countries. In brief, far from alleviating the balance-of-payments problem, the pursuit of an inward-looking strategy has tended to make it worse.

III. STRUCTURE OF MERCHANDISE TRADE

A. Exports

12. The crisis befalling the African LDCs is unprecedented in its severity. With the sharp fall in real export earnings, most countries have found it increasingly difficult to finance their import requirements and debt-servicing obligations. At the root of the deep economic crisis are the poor performance of the export sector as reflected in the decline of the volume of exports, loss of market share, concentration of exports on a few primary commodities, and the dramatic fall in commodity prices in the 1980s.

13. The dependence of many African LDCs on a single commodity has intensified over the last two decades (Annex 1). For example, between 1970 and 1989, the share of coffee in the total merchandise exported increased from 50.4 per cent to 97.9 per cent in Uganda, from 59.4 per cent to 69.5 per cent in Ethiopia and from 54.4 per cent to 66.6 per cent in Rwanda. Over the same period, dependence on cotton export increased from 26.1 per cent to 86.7 per cent in Burkina Faso, from 13.5 per cent to 49.8 per cent in Mali and from 62.4 per cent to 66.9 per cent in Sudan. Tanzania's dependence on the export of coffee and cotton increased from 30.2 per cent in 1970 to 65.8 per cent in 1989. The dependence of Guinea on bauxite, Liberia and Mauritania on iron ore and Togo on phosphate has also increased significantly.

14. Between 1970 and 1989, the total value of merchandise exports of African LDCs increased by 5.7 per cent per annum, while it grew at 8.0 per cent in developing Africa and at 12.6 per cent in the world (Annex 2). This confirms that the performance of African countries has been weaker than the rest of the world, resulting in a significant loss of world-market share. In fact, African LDCs' share in world exports declined from 0.7 per cent in 1970 to 0.2 per cent in 1989 while that of developing Africa fell from 4.0 per cent to 1.8 per cent. The share of African LDCs in the total exports of developing Africa also declined from 16.6 per cent in 1970 to 11.1 per cent in 1989.

15. The share of agricultural commodities in the total merchandise exported by African LDCs declined from 68.9% in 1970 to 53.7% in 1989, while that of mining increased from 16.5 per cent to 27.9 per cent over the same period. The combined share of agriculture and mining in the total merchandise exported showed no significant changes standing at 85.4, 81.8, and 81.6 per cent in 1970, 1980 and 1989, respectively. In essence this data suggests that the role of primary commodities in the export of African LDCs is not only

predominant but is not declining. This contrasts sharply with developments in South Asia where primary products fell from 63 per cent to 36 per cent of total exports from 1965 to 1987 [Stewart (1991)]. For African LDCs as a whole, coffee, cocoa and cotton accounted for over 40.0 per cent of the total export of agricultural commodities, while iron ore, bauxite and phosphate rock accounted for over 50 per cent of the total mining exports.

(a) Commodity Trends

(i) Coffee

16. Between 1970 and 1990, coffee production in African LDCs remained stagnant at 580 thousand metric tons, while it declined by 0.5 per cent per annum from 1.32 million to 1.20 million metric tons in developing Africa. In contrast, world coffee production increased by 2.1 per cent per annum from 3.95 million to 5.96 million metric tons over the same period.

17. As indicated in Annex 3, the share of developing Africa in the value of world coffee exports declined from 26.4 per cent in 1970 to 18.0 per cent in 1990, and that of African LDCs declined from 10.7 per cent to 6.8 per cent over the same period. In contrast, countries such as Colombia and Indonesia have increased their world market share from 11.9 per cent to 13.6 per cent and from 6.8 per cent to 12.0 per cent, respectively, over the same period. The major coffee producers and exporters of African LDCs (Ethiopia, Uganda, Tanzania, Rwanda and Central African Republic) accounted for over 82 per cent of the total production in 1990.

18. The quantity of coffee exported by many African LDCs has followed a declining trend. For example, it registered a significant decline in Uganda and Ethiopia where it declined by 25.7 and 9.9 per cent between 1970 and 1990, respectively. In these countries, the coffee crop has been neglected for decades and the decline in real producer prices has eroded incentives for replanting and maintenance. Lack of pesticides to combat leaf rust and coffee-berry disease has affected production in countries such as Tanzania. In Ethiopia, there are reports of peasants increasingly diversifying their production away from coffee to grains and other subsistence crops due to low coffee prices. Overvalued exchange rates have made returns on coffee investment unsatisfactory and discouraged new coffee plantings. According to one study, 'countries that experienced the greatest decline in export revenues and also had the greatest difficulty in adjusting to the lower world coffee prices were the countries with appreciating exchange rates.' Such countries were identified by the study as Cameroon, Central African Republic, Costa Rica, Cote d'Ivoire, El Salvador, Haiti, Honduras, and Rwanda' [Varangis & Duncan (1989)].

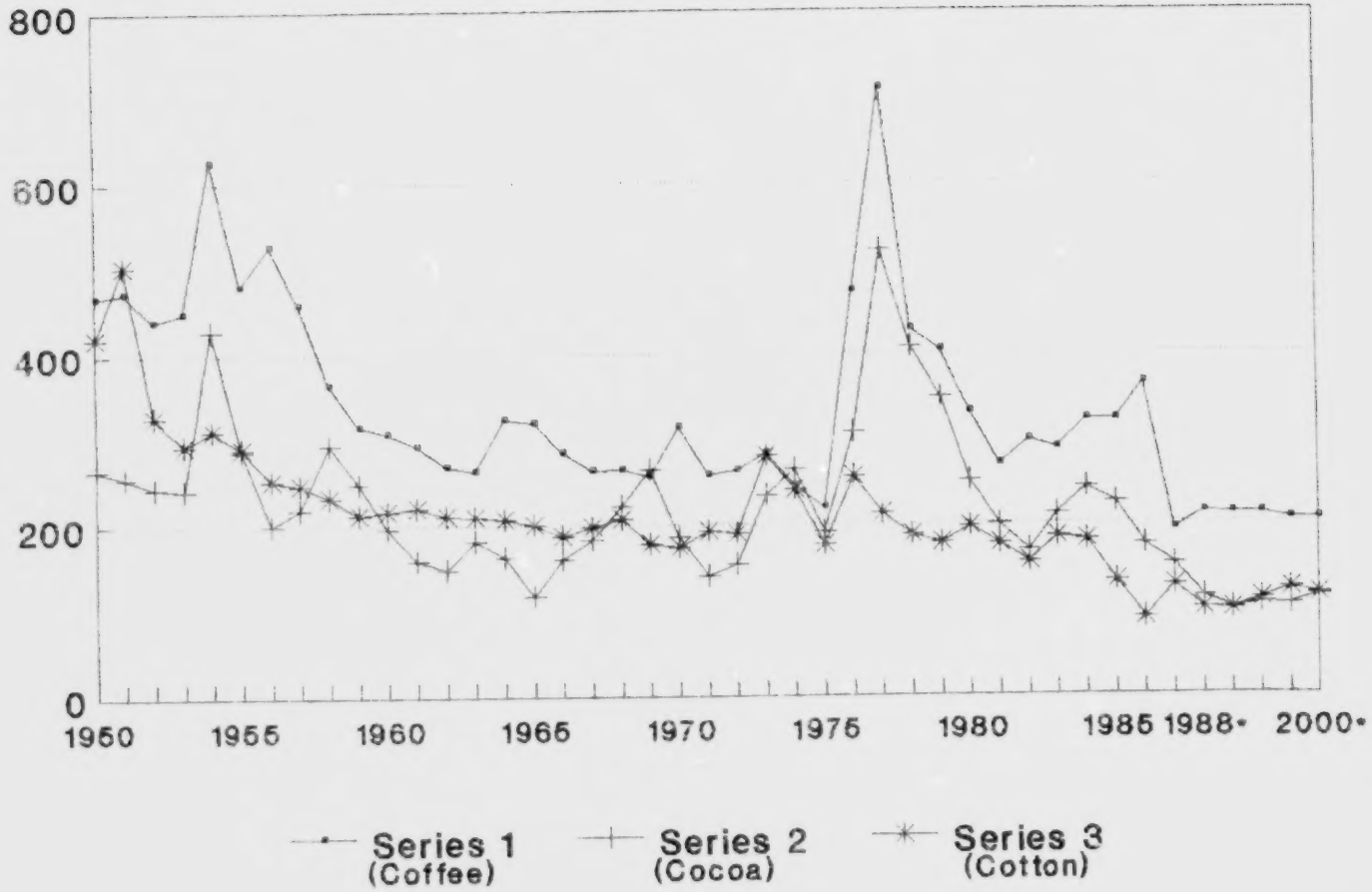
19. Chart 1 reveals that coffee prices have declined to one of their lowest levels in the 1980s. This is explained by the slow growth in world consumption of coffee and a sizeable increase in the production capacity of major producers such as Brazil, and in world coffee stocks. For instance, demand for coffee in the

United States declined at a rate of 1.6 per cent p.a. between 1970 and 1986. The historic downward trend in the consumption of soluble coffee in the United States, which began in 1975, has continued rather dramatically. In 1990, for example, the number of cups of soluble coffee consumed daily per person decreased by over 10 per cent to 0.29 cups, and the percentage of the population drinking soluble coffee declined to 14 per cent [Tea & Coffee (1991)]. In Western Europe, the per capita consumption of coffee is already high and demand is not expected to grow by more than 1.7 per cent per annum in the 1990s. On the other hand, major coffee producers are intent on increasing their supply. Savings in production costs are expected to be made by increasing tree densities and by shifting coffee growing away from estates in Brazil which are frost-prone or have higher labour costs. This, combined with Colombia's attempts to increase production through its excellent R and D system, is almost bound to exacerbate the overproduction problem in the coming years.

20. The available evidence suggests that the chances of price recovery either in the short or long run are not very good. Should the suspension of the coffee export quota system continue through the year 2000, countries with strong productivity gains are expected to produce and export large quantities of coffee even at very low world prices. In such circumstances, African LDCs, with their weak research base, poor extension services and inadequate marketing, storage and transportation infrastructure are likely to see further erosion of their world market share and export earnings from coffee.

CHART I

Coffee Cocoa and Cotton Prices
US cents/kg, 1985 constant $ MUV••



• are projections ; ••Deflated by Manuf. Unit Value index

(ii) Cocoa

21. As shown in Annex 4, cocoa production in African LDCs declined by 3.7 per cent per annum from 74,000 metric tons in 1970 to 35,000 in 1990. Over the same period, production in developing Africa increased by 0.7 per cent per annum from 1.1 million to 1.3 million metric tons, while that of the world increased by 2.3 per cent p.a. from 1.5 million to 2.4 million metric tons.

22. The share of developing Africa in the total cocoa production of the world declined from 71.7 per cent in 1970 to 52.7 per cent in 1990, while that of African LDCs in the total production of developing Africa fell from 6.8 per cent to a mere 2.8 per cent over the same period. Over 65 per cent of the total cocoa production in African LDCs is accounted for by three countries, namely Equatorial Guinea, Sierra Leone and Togo. Between 1970 and 1990, production declined by 7.0 per cent per annum in Equatorial Guinea and by 5.2 per cent in Togo, while it increased by 3.0 per cent in Sierra Leone.

23. Over the last two decades, African countries have increasingly lost their share of the world cocoa market: the share of developing Africa in the total value of world cocoa export declined from 80.3 per cent in 1970 to 65.8 per cent in 1990 and that of African LDCs from 5.9 per cent to 3.5 per cent. The share of African LDCs in the total cocoa export of developing Africa also declined from 8.2 per cent in 1970 to 2.6 per cent in 1990.

24. The cocoa industry in African LDCs has suffered from low productivity. Production is often characterized by old plantings - over 30 years old - with low yield potentials. Cocoa yields in Togo and Sierra Leone, for example, are about half the level in the world. For many African LDCs, the yield trend is on the decline. Lack of effective cocoa development effort and inadequate price incentives have constrained production in African LDCs. Heavy taxation and overvalued exchange rates have discouraged replanting and maintenance of cocoa trees. Pests and diseases, poor transportation services, sporadic input supplies and inadequate research and extension facilities have also contributed to the poor performance of cocoa in African LDCs.

25. Cocoa production in African LDCs contrasts sharply with production in major producers of cocoa in Africa, Latin America and Asia. A massive investment in the cocoa sector has been undertaken in both traditional suppliers such as Cote d'Ivoire, and in new, increasingly important producers such as Malaysia and Indonesia.

Compared to the African LDCs, yield levels in Malaysia and Indonesia are 3 to 4 times higher and rising rapidly.

26. Cocoa prices have been quite volatile in recent years. Free market prices fell from US$3,291 per ton in 1979 to US$1,271.4 in 1990 and the underlying trend is markedly downward (see Chart 1). Slow growth in world demand and overproduction are the major factors behind the falling prices. Cocoa demand is projected to remain low in the traditional markets of North America and Western Europe, growing between 1.2 and 1.7 per cent per annum in the 1990s. In the former Soviet Union and Eastern Europe, it is impossible to predict demand, following the dramatic changes in recent years. However, the radical economic reforms may lower real incomes, at least in the short run, with adverse implications for cocoa demand. Chocolate goods are already high-priced luxury goods in these countries, and there may be a need to divert hard currency allocations to meet more urgent requirements, leading to a reduced cocoa purchase in the world market. As a whole, world consumption is projected to fall short of the growth in production and real prices of cocoa are expected to fall further.

27. The downward pressure on prices is expected to increase when extensive past plantings and replanting (resulting from the massive investment in the 1980s) reach their peak yield in the 1990s. The shift to high yielding, new hybrid varieties will also worsen the situation even if acreage declines, as is projected by many producing countries.

(iii) Cotton

28. Between 1970 and 1990, world cotton production grew by 2.3 per cent per annum from 11.7 million to 18.5 million metric tons, while it was almost stagnant in developing Africa and African LDCs, at about 1.3 million and 565 thousand metric tons, respectively (see Annex 5). The share of African countries in the value of world cotton exports showed a significant decline dropping from 31.2 per cent in 1970 to 15.5 per cent in 1990 in developing Africa and from 13.9 per cent to 9.3 per cent in African LDCs over the same period.

29. Over 60 per cent of the total cotton production in African LDCs comes from four countries- Sudan, Tanzania, Mali and Burkina Faso. Between 1970 and 1990, cotton production in Sudan declined by a rate of 3.3 per cent per annum, while it increased by 9.8 per cent in Burkina Faso and by 7.7 per cent in Mali over the same period. These variations are largely caused by differences in the incentive structures and investment in cotton development programmes. In the Sudan, for example, overvalued exchange rates

and export taxes have rendered cotton production unprofitable. Farmers have not been able to use sufficient amount of inputs because of low cotton prices. Yields have been adversely affected by the delay in sowing, inadequate irrigation, deteriorating seed quality, insect infestation and shortage of labour during the peak seasons. The inefficient joint accounts system of the Sudan Gezira Board whereby the Government, the schemes and the tenants share benefits and costs on a fixed percentage basis, rewards inefficient producers at the expense of efficient ones.

30. Studies on cotton production in Africa have shown that apart from price incentives, which are important in determining the allocation of resources between cotton and food crops, non-price factors such as effective research and input delivery system, timely payment of producers, credit availability and technical assistance or extension services have a more positive impact on production. The relative success of the cotton subsector of francophone Africa is attributed to better incentives and investment and a more efficient and vertically integrated research-production marketing apparatus for cotton production [Lele et al (1989)]2/.

31. Free market prices for cotton have fluctuated widely standing at US$2,065.3 per metric ton in 1980, US$1,057.0 in 1986 and US$1,821.2 in 1990, but the underlying trend of real prices is markedly downward (see Chart 1). In developed countries, for example, rapid export expansion is constrained by the increased production of substitutes. The current sluggish demand for cotton mirrors both the natural weakness of demand for textiles and the increasing challenges of synthetics. Moreover, cotton is fast losing ground in the developed world, where changing consumer tastes and expectations have led to the rapid intrusion of new, non-cellulosic fibres. In total fibre use which is projected to stand at 46.7 million tons by the year 2000, cotton's share is expected to be around 42 per cent - compared to its share of 47 per cent in 1987 [World Bank (1988)]. The sluggish demand in conjunction with the tendency to oversupply is expected to keep down cotton prices in the future.

2/ Mali has dramatically increased its cotton production and has become the biggest producer in francophone Africa and the second biggest in African LDCs thanks to the availability of high yielding varieties, favourable prices and improved supply of credit and fertilizer for cotton producers.

32. Of the three major agricultural commodities analyzed in this study, the volume of exports has declined in two cases (cocoa and cotton) and remained constant in one case (coffee) over the last two decades. The share of African LDCs in the world market has significantly declined in all three cases. Behind this disappointing performance in the export sector is a worrisome production problem. Over a 20 year period, African LDCs have failed to increase the production of their major export crops. In fact, the production of cocoa has shown a significant decline, while that of coffee and cotton has stagnated. Low producer prices- mainly caused by overvalued exchange rates and export taxes, lack of credit and essential inputs such as fertilizer and improved seeds, poor transportation, marketing and extension services and lack of effective research and input delivery systems-have impeded production in most African LDCs.

(iv) Minerals3/

33. Between 1970 and 1989, the production of bauxite and phosphate rock increased, while that of iron ore declined in African LDCs (Annex 6). Mineral production in African LDCs is concentrated in a few countries: Guinea accounts for over 90 per cent of bauxite production, Liberia and Mauritania for all iron ore production and Togo for nearly all phosphate rock production. Guinea also accounts for over 90 per cent of bauxite production in developing Africa.

34. Bauxite production in Guinea has increased by nearly 20 per cent per annum, rising from 560 thousand metric tons in 1970 to 17.5 million metric tons in 1989. Over the same period, Guinea's share in world bauxite production increased from 4.3per cent to 16.2 per cent, while its share in the value of world bauxite exports increased from 1.4 per cent to 42.4 per cent, making Guinea the largest bauxite producer and exporter in the world.

35. A major problem for the bauxite industry in the 1980s was the fall in real prices. At constant 1980 prices, the price in 1987 averaged only US$21.7 per ton compared to US$42 in 1975-79. These trends are the result of sluggish economic growth, reduced demand in the industrialized countries and increased competition from plastic substitutes. The recent rise in the price of processed bauxite (alumina) has not benefitted Guinea, as over 80 per cent of its production is exported as raw ore to North America and Western Europe.

3/ Under this heading only three important minerals, i.e., iron ore, bauxite and phosphate rock were selected for analysis.

36. Iron ore production in the African LDCs (mainly Liberia and Mauritania) declined by 2 per cent per annum from 36.8 million in 1970 to 25.5 million metric tons in 1989, while that of developing Africa declined by 2.4 per cent from 51.2 million to 32.5 million metric tons. In contrast, world iron production increased by 1.3per cent per annum from 767.3 million in 1970 to 977.9 million metric tons in 1989. The share of African LDCs in the total value of iron ore exported by developing Africa increased from 72.4 per cent in 1970 to 99.6 per cent in 1989, while that of developing Africa in world exports declined from 12.0 per cent to 5.8 per cent over the same period.

37. The performance of the iron ore industry in Liberia has been very poor over the last two decades. This is evidenced by the decline in iron ore production from 23.3 million in 1970 to 13.4 million in 1989 and the decline in the share of world export from 7.3 per cent to 3.0 per cent. This decline is largely caused by the prohibitively-high production costs in the country.

38. Iron ore prices on the world market have fallen in recent years. The sharp decline in real price can be attributed to the weak growth in developed countries and diminished intensity in the use of steel, made possible by technological innovation. In the USA, for example, the percentage of an average car made up of iron and steel fell from 81 to 69 between 1975 and 1985 [Stevens (1989)]. The slump in prices has exacerbated the economic problems of iron ore exporters and Liberia, in particular, has been severely affected as it has not been able to compensate for the fall in prices through increasing its volume of exports.

39. Phosphate rock production in African LDCs (i.e., Togo) increased by 4.3 per cent per annum from 1.51 million metric tons in 1970 to 3.36 million in 1989, while that of developing Africa increased by 3.2 per cent from 18.2 million metric tons to 33.1 million. World production increased by 3.8 per cent from 81.1 million to 165.1 million metric tons over the same period. The share of developing Africa in the total value of world phosphate rock exports showed little change, at 40.1 per cent in 1970 and 43.2 per cent in 1989, while the share of Togo in the total export of developing Africa increased from 8.8 per cent to 17.2 per cent over the same period.

40. As with the other minerals, phosphate prices have fallen in the 1980s. Togo's phosphate industry has been hard hit by the slow growth in world demand and falling prices. Despite the country's effort to significantly increase the volume of its exports,

earnings from phosphate exports have fallen from US$135 million in 1980 to US$130 million in 1989.

41. Some of the major problems of mineral exporting African LDCs, apart from falling prices, are declining demand and the absence of mineral processing facilities. The soaring demand for the major base metals in the 1950s and 1960s has been replaced by declining demand in the 1970s and 1980s. A prolonged slow-down in the growth of industrial economies and declining user-intensity, due to lower elasticity of raw material consumption, has reduced demand for minerals. Demand has also been affected by the relative decline of industry as compared to services, the increasing use of electronics which consume fewer raw materials, the development of lighter cars, railway equipment, etc., and the replacement of metals by nonmetallic substances such as ceramics and polymers. Another factor has been the development of recycling, fostered by an increase in the rate of consumption waste and by the introduction of new recuperation techniques that cost less than producing primary products. As a result, the world's average growth rate of steel consumption, for example, declined from 5.8 per cent per annum between 1950 and 1973 to 0.6 per cent per annum between 1974 and 1983 [Bomsel (1985)].

42. In spite of falling demand, the mining industry continued to expand throughout the 1970s and early 1980s due to the heavy investment in earlier years and producers' desire to maintain or even increase their share of the markets. The result has been rapidly increasing- stocks and a sharp drop in the price of most ores/metals. Many mining companies are increasingly facing financial difficulties.

43. Since mineral-processing industries are concentrated in the developed countries, the value added that accrues to the LDCs is minuscule and is further being impeded by lack of capital and problems of technology transfer. Multinationals often guard their knowledge of exploration results, parameters of investment, processing and marketing properties of the product, technological and economic trends and market value, thereby lowering the leverage of developing countries over the mining industry. Furthermore, processing minerals for export has not been possible because of problems of market entry such as market structure, freight rates and tariff protection [Bosson & Varon (1977)].

B. Imports

44. Generally, the import values of African LDCs stagnated during the decade 1980-1989. Total import values ranged between US$11,322 m in 1980 and US$11,585 m in 1988 giving an average annual increase of about 0.24 per cent. African LDCs' imports as a percentage of the total for Africa in 1980 were 15.3, a figure which had declined slightly to 15.0 per cent at the end of the decade. As a percentage of the total for the developing economies, imports also showed a decline, from 2.3 per cent in 1980 to 1.6 per cent in 1989. The share of African LDCs in world imports, though negligible, also witnessed a decline within the period, from 0.55 per cent in 1980 to 0.36 per cent in 1989. In fact, falling export prices and chronic balance-of-payments difficulties obliged the LDCs to refrain from import expansion in the 1980s. The value of imports was about twice the value of exports in 1989. Between 1980 and 1984, import values recorded a negative growth rate of 2.8 per cent, though they recovered in the latter half of the decade and then grew at an annual rate of about 6.5 per cent. Compared to the growth rate of imports to developing Africa of about 5.3 per cent in the 1950s, 4.9 per cent in the 1960s, and 22.2 per cent in the 1970s, the performance of imports in the 1980s is rather poor. Since import contraction often affects the imports of capital goods, African LDCs virtually sacrificed future economic growth. At the individual country level, 12 countries - Equatorial Guinea, the Gambia, Lesotho, Liberia, Mauritania, Mozambique, Niger, Sao Tome and Principe, Sierra Leone, Somalia, Sudan and Togo - witnessed a negative growth rate in their imports during the period.

45. The structure of imports closely followed the pattern established in the 1970s. Manufactured items, consisting essentially of chemical products and machinery and equipment, accounted for more than 50 per cent of total imports, closely followed by food items and fuel imports. Food items accounted for an average of 20-22 per cent of total imports on the aggregate, while fuel imports increased from barely 4.7 per cent in 1970 to close to 15.0 per cent in 1989. High population growth, drought, changes in consumption habits and persistent internal strifes account for the high percentage of food items in imports. On the other hand, most African LDCs are importers of petroleum products, the price of which has maintained a general upward trend in the last decade.

(a) Food Imports

46. Food imports have remained a major factor in the balance-of-payments accounts of LDCs. From Annex 7, it can be observed that the value of food imports has grown from US$2210.4 m in 1980 to US$2434.9 m in 1989, an increase of about 10.2 per cent. In 1989, the total agricultural and food production of the LDCs grew at a meagre rate of 1 per cent in a situation where the population was growing at about 2.6 per cent or more [UNCTAD (1988a)]. The estimates for 1990 are not any better, implying a deterioration, per capita wise, in agricultural and food production over the past decade. The seriousness of the African food predicament has been amply demonstrated in another study. In 1960, sub-Saharan Africa and India both produced 50 million tons of food grain. Today, India produces 150 million tons, while African food production still stands at little more than 50 million tons [Singer (1990)]. Thus food imports into African LDCs have been growing at an annual rate of about 4.3 per cent, either in terms of food aid or at the cost of hard-earned foreign exchange. A vicious circle has emerged whereby the decline in foreign exchange earnings has limited the importation of fertilizers and other essential agricultural inputs, thus worsening the situation even further.

47. For most African LDCs, the ratio of food imports to total merchandise exports has shown an increase from 1980 to 1989. The situation has been particularly serious for Burkina Faso, Comoros, Ethiopia, Lesotho, Malawi, Mozambique, Niger, Rwanda and Sao Tome and Principe where average annual growth rate of food imports has ranged between 0.4 and 8.5 per cent and export growth has been negative or at best stagnant (Annex 8). Attempts to attain greater self-sufficiency in food production have met with occasional success during the decade only in a few countries although the general performance has fallen below expectation. Total cereal imports have, increased from US$829.6m in 1980 to US$864.8m in 1989, while as a percentage of total merchandise imports, they have remained at an average of about 17.5 per cent for the decade and continue to claim about 12 per cent of total merchandise exports. As a percentage of total food imports, cereals have declined from 75.9 in 1980 to 57.7 in 1989 (Annex 9). This decline could be explained by the fair showing of a few countries who have had some exportable surpluses during the decade.

(b) Food Aid

48. The consequences of the poor performance in food production are seen in the harsh realities of the living conditions of the

population of these countries, often resulting in growing malnutrition for women and children. The countries have become a byword for food aid. Between 1980/81 and 1988/89, a total of 35.7 million tons of cereals were shipped to the African LDCs in food aid. As of 1989/90, about 83.6 per cent of total food aid for sub-Saharan Africa went to African LDCs; they also account for over 40 per cent of the total food aid to developing countries. Three African LDCs, Sudan, Ethiopia and Mozambique, shared as much as 79.1 per cent of total aid to African LDCs and more than 54.8 per cent of the total for sub-Saharan Africa in 1989/90 (Annex 10). The food-aid phenomenon is an issue that can no longer be ignored in discussing food and agricultural policies in Africa. It has been argued that food aid acts as a disincentive to domestic production by lowering prices, by making it more difficult for procurement agencies to purchase and stock local surpluses (given the limited storage space), and by shifting tastes, particularly in urban areas, away from traditional locally produced foods (e.g. maize, millet,sorghum, cassava) to imported food e.g. rice. Moreover, it is also argued that it reduces the priority that governments accord to agricultural and food production. In spite of these seeming disadvantages, food aid continues to grow in popularity, both with recipients and donors. From the recipients' point of view, food aid (not the largesse distributed freely to specific target groups) generates counterpart resources which can be used flexibly by the recipient governments. In addition, food aid releases scarce foreign exchange to meet other crucial needs. Otherwise governments would have to import food on commercial terms, and no alternative balance-of-payments support would be possible. From the donors' point of view, surplus agricultural production in a number of OECD donor countries, makes this form of aid available at almost no opportunity cost [UNCTAD (1988a)]. However impressive these arguments may be, the long-term costs of increasing dependence on food aid by African LDCs suggest that immediate policy actions must be taken to halt this trend.

49. A number of man-made and natural factors have been held responsible for the unsatisfactory record of food production in the LDCs. Over the years, the number of countries affected by drought has been escalating: 12 in 1974, 27 in 1979; 35 in 1984. Between 1987 and 1989, Botswana (drought); Comoros (cyclones); Lesotho (snowstorms); Somalia (drought and floods); Sudan (floods); Malawi (floods); Djibouti (floods); and Ethiopia (drought), all African LDCs, have suffered natural disasters which have caused in heavy losses in cattle stock and extensive damage to public and private property and infrastructures that are already sub-optimal. In Sudan, damage to agricultural property and infrastructure in 1988 was estimated at almost US$407m. Furthermore, very poor and rapidly growing populations have often been forced to misuse and over use the land in order to eke out a meagre existence, thus impairing soil fertility and contributing to lower agricultural

productivity. Nevertheless, the man-made factors are more important than the natural factors. In several LDCs, armed conflicts and civil strife have ravaged villages and damaged rural infrastructures, disrupting agricultural production and distribution systems, as well as displacing a large part of the rural population on whom agricultural productivity depends. In the wake of a crisis, an endemic refugee problem and dependence on food aid are inevitable. It is not surprising therefore that the countries in which these crises reached their peak in the 1980s - Ethiopia, Sudan, Somalia, Mozambique - are the greatest recipients of food aid. As they enter the decade of the 1990s, African LDCs must address this and other issues in agricultural production, such as increased prices, reforms of agricultural marketing and reforms of agricultural trade policies.

(c) Fuel Imports

50. Total consumption of energy per capita is generally low in the majority of LDCs. The 1986 average of 265 kg of coal equivalent, compared to 710 kg for the developing countries attests to this. As for commercial energy, the LDCs' consumption of 59 kg of coal equivalent is 8 times less than that of developing countries as a whole. The share of liquid fuel in LDCs' total commercial energy consumption declined from 90 and 80 per cent in 1970 and 1975 to 65 per cent in 1986, not so much as a result of any developmental measures taken on the domestic front, but mainly because of foreign exchange constraints caused by increasing oil prices. Since most of these countries are not oil-producing, the impact of fluctuations in oil prices during the decade has been most significant. Oil-import bills rose at an average rate of about 35 to 40 per cent. In 1988, their expenditure on fuel was about 15 per cent of their total outlay on imports. Annex 11 which highlights individual country performance is even more revealing. With the exception of Burundi, Cape Verde, CAR, the Gambia, Guinea, Guinea Bissau, Malawi, Somalia, Sierra Leone, Tanzania and Uganda, the ratio of fuel imports to total imports declined between 1980 and 1986. For most countries, fuel imports have continued to absorb more than 50 per cent of their export earnings, the situation remaining static between 1980 and 1986 (data on fuel imports are not available on a comprehensive basis after 1986). Thus, in 1986 fuel imports as a percentage of the value of merchandise exports stood at 38 per cent (Benin); 350 per cent (Cape Verde); 73.1 per cent (Lesotho); 90.0 per cent (Mozambique); 42.7 per cent (Ethiopia) and 74.2 per cent (Tanzania) in 1986.

51. Increased oil prices have stimulated countries to increase exploratory activities for oil and also develop plans for alternative sources of energy. Sudan has reached agreement with

foreign companies to renew exploration activities which were interrupted in 1988 for security reasons. At the national level, Master Plans were formulated in the 1980s to ensure the development and improved management of the energy sector in a number of countries. In Botswana an Energy Master Plan was formulated under the Sixth Development Plan (1985-1991); in Malawi a Ten-year Master Plan for the exploitation of coal and a National Energy Plan were under formulation in 1988; Ethiopia has allocated about 12.3 per cent of development expenditure in the Public Investment Programme for 1985/86-1988/89 to the energy sector [UNCTAD (1988a)]. Several countries, such as Burkina Faso, Burundi, Ethiopia, Guinea, Lesotho, Malawi, Mali, Rwanda, Uganda and Tanzania are also very active in the development of hydroelectric power stations. This will help to reduce their dependence on imported fuel.

(d) Import of Manufactured Goods

52. Manufacturing imports consist mainly of machinery and equipment, chemical products and other manufactured goods. This group has by far the highest share of African LDCs' imports. Between 1980 and 1989, imports of manufactured goods claimed up to 50 per cent of total imports of goods, whereas manufactured items constituted only about 24 per cent of their exports.

53. Imports of machinery and transport equipment have remained high throughout the decade, reflecting the emphasis laid on investment in production and infrastructure. This is in line with the deliberate industrialization strategies contained in the various development plans and policies of developing countries. African LDCs view industrialization as the key to self-sustained growth and increased standard of living. In order to complement industrial import programmes, plant and machinery which are not available locally must be imported. This external dependence by industry on intermediate and capital goods is reflected in the very high share of such goods in imports. In 1986, the share of machinery and equipment in imports of goods and services for the CAR, Ethiopia, Mauritania, Guinea Bissau, Niger, Guinea and Uganda was over 30 per cent (Annex 12). In a World Bank survey of Tanzanian industry in 1984, it was observed that the industrial sector generated US$56 m in value added but consumed recurrent inputs worth US$420m, 70 per cent of which were sourced by imports [World Bank (1987)]. With the exception of food processing, the modern manufacturing sector is highly import-intensive. Evidence from a UNIDO survey of industries in the African region, which consists for the most part of LDCs, reveals that in the brewing industry, for instance, virtually all raw materials are imported, except for water. The situation is not different for practically all other branches of light and intermediate industries, such as

soft-drinks bottling, footwear, leather apparel and metals. Of the 100 manufactured products produced by 40 African countries covered in the survey, roughly 55 per cent of the products sampled had an import content (of inputs) close to 100 per cent; only in agro-industries and textiles was the import content under 25 per cent [UNIDO (1986)].

54. The import of chemicals and metals has also increased over the years, claiming from 5 to 15 per cent of total imports - a larger share than that of agricultural raw materials. Most chemicals and metals are obtained from foreign sources. This is partly because of Africa's low level of industrial development and its poor scientific and technical know-how, which have generally not facilitated the quick processing of available ores.

55. Imported capital goods in African LDCs represent a sizable proportion of total domestic investment and showed a slight increase from 43.5 per cent to 46.8 per cent between 1982 and 1986. The inter-country variation is quite considerable, with countries like Botswana, Burkina Faso, Cape Verde, CAR, Chad, Guinea Bissau and Mozambique posting figures of 70 per cent in 1986.

56. In general imports have stagnated in the past decade, not because increased domestic production has been able to take the place of imported goods, but because foreign exchange earnings have been adversely affected by declining proceeds from export and a stifling of the inflow of external resources. Variations exist between countries and among different classes of imports; but most disturbing of all is the increase in the importation of food items to this group of countries, most of which, given appropriate agricultural policies, would be capable of self-sustenance in food production. To stem this tide, an appropriate population policy must be embarked upon and more attention paid to rural areas in order to curtail the drift to urban areas.

57. African LDCs have to depend on the importation of capital goods at this early stage of their development and thus a high ratio of capital goods to total imports is only to be expected. However, a situation whereby both capital goods and raw materials are imported does not make for intra and inter-sectoral integration; it limits the direct and indirect effects of industrialization on economic growth. However, the inability to link industry to agriculture is more disturbing: industry has not provided the much-needed impetus for agriculture, and the result is high import dependence. African LDCs may have to review their industrial import-substitution strategy.

C. Direction of Trade

58. Annexes 13 and 14 show the percentage distribution of the exports and imports of African LDCs and developing Africa among the major countries and regions of the world in 1978, 1985 and 1990. Trade directions to the EEC, Japan, USA, and to the rest of Africa as well as the total for industrial, developing and socialist countries are identified.

59. Between 1978 and 1990, the export of African LDCs to industrial countries grew at a slow rate of only 2.4 per cent per annum and their share in total exports declined from 75.8 per cent to 65.0 per cent, while the proportion for developing Africa declined from 80.7 per cent to 72.9 per cent. Among the industrialized countries, the EEC is by far the largest trading partner of African countries. In 1990, the EEC absorbed 44.3 per cent and 55.8 per cent of the total exports of African LDCs and developing Africa, respectively. About 20 African LDCs had more than 50 per cent of their exports directed to the EEC (Annex 15). But the share going to the EEC has tended to decline, dropping from 49.6 per cent in 1978 to 44.3 per cent in 1990 in African LDCs and from 56.8 per cent to 55.8 per cent in developing Africa over the same period.

60. With regard to imports, industrialized countries accounted for a higher proportion: 75 per cent in African LDCs and nearly 82 per cent in developing Africa in 1990. Once again, the share of the EEC is predominant and, between 1978 and 1990, has remained constant at about 46 per cent in African LDCs, but increased from 46 per cent to 53.5 per cent in developing Africa. Imports from the EEC increased for 18 and decreased for 11 African LDCs over the same period (Annex 15).

61. Africa's trade with developing countries has increased significantly between 1978 and 1990. The share going to developing countries (in the total value of exports) increased from 22.2 per cent to 31.13 per cent in African LDCs and from 17.5 per cent to 25.7 per cent in developing Africa over the same period.

62. Intra-African trade comprises a small proportion of the total trade, but it has tended to grow over the years. Between 1978 and 1990, the proportion (in the total value of exports) going to Africa increased from 7.1 per cent to 9.7 per cent in African LDCs and from 5.0 per cent to 7.6 per cent in developing Africa. Imports from Africa have also increased from 4.5 per cent to 8.3

per cent in African LDCs and from 5.0 per cent to 5.7 per cent in developing Africa.

63. The direction of trade in Africa is mainly governed by historical and geographical factors, as well as trade agreements and conventions. For instance, there is a tendency for intra-African trade to be concentrated within countries of a given subregion. West African countries tend to trade among themselves and so do the central, eastern and southern African countries. It is estimated that such trade accounts for over 70 per cent of the intra-African trade [ECA (1991)]. One of the major reasons for such subregional concentration of trade is the proliferation and growing role of subregional economic groupings such as the Economic Community of West African States (ECOWAS), Preferential Trade Area for Eastern and Southern Africa (PTA), Union of Arab Maghreb (UAM) and South African Customs Union. The relatively easier transportation within a subregion, traditional links and communication in certain cases, as well as the prevalence of broadly similar dietary habits within a subregion have also contributed to the subregional concentration of trade. For countries such as Botswana, Lesotho and Mozambique subregional trade is more important than trade with the EEC (Annex 15 for the low share of the EEC).

64. A number of factors have hindered rapid expansion of intra-African trade. The continent's limited production capacity is geared to the production of commodities for foreign rather than domestic markets. Many countries tend to produce the same type of export goods with limited market opportunities within African countries. Inadequate transport and communication systems, unsatisfactory payment arrangements and credit facilities, tariff and nontariff barriers, inadequate trade information and poor promotional facilities are also serious impediments. The effort to pool national markets into a regional and subregional common market can only be successful if these problems are overcome.

65. The concentration of Africa's trade to the EEC largely reflects the colonial heritage. The historical link has also been reinforced by the Lome Convention signed between Africa, Caribbean and Pacific (ACP) Group and the EEC. The Convention, which is now in its fourth phase (Lome IV)4/, provides free access for tropical products, manufactured and semi-manufactured exports to the EEC market. One of the most notable aims of the first two Lome

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4/ Lome I covered the period of 1975 to 1980, Lome II the period of 1980 to 1985, Lome III the period of 1985 to 1990 and Lome IV the period of 1990 to 2000.

Conventions has been to facilitate ACP's attempt at diversifying exports, in particular by increasing the degree of processing of traditional exports and by introducing new export items, such as manufactured goods, and new agricultural products with better market prospects. Besides their trade provisions, Lome III and IV placed emphasis on human-centred and self-reliant development processes, environment, population growth and structural adjustment.

66. Despite the favourable provisions of the Lome Conventions, African LDCs have not achieved any major shifts to new exports with better growth prospects than traditional lines. Far from encouraging trade, the EEC has become a less important export-destination of African LDCs. As already indicated, the proportion of export going to the EEC declined from 49.6 per cent in 1978 to 44.3 per cent in 1990. With the exception of one or two countries, the predominance of traditional exports has not diminished in African LDCs (see the section on export structure). Between 1970 and 1985, only Chad and Mozambique managed to diversify into new export products. Chad diversified into the usual first-stage manufactured exports- textiles and clothing, while Mozambique started to export fishery products [Svedberg (1991)].

67. The high potential for increased export processing in African LDCs has not been effectively harnessed. For example, Zambia exports its copper in refined form, thereby adding value to the mined ore. But it does not convert refined copper into fabricated products (example, wires, tubes and pipes). Coffee from Tanzania is exported in green or roasted form but not as essences or extracts [Meier and Steel (1989)].

68. It has been suggested that African economies have a comparative advantage in processing their primary commodities. But the shift towards processing primary products has not been easy. Firstly, tariff rates in the OECD markets tend to rise with the extent of processing and freight rates are frequently biased in favour of primary commodities. Secondly, African economies tend to have high wage rates while productivity remains at a low level. Compared to many Asian countries, where wage rates are lower and productivity is higher, African countries are at a disadvantage in exporting labour-intensive manufactured products. Thirdly, government policies often tend to be biased against exports and the efforts to promote processing are inadequate [Steel & Evans (1989)].

69. While a major effort has been made in multilateral trade negotiations to reduce tariffs, protectionism in the form of

nontariff barriers has greatly expanded, and may even have offset or exceeded the effects of reduced tariffs. Nontariff barriers in the form of import quotas, voluntary export restraints, embargoes, variable import levies, subsidies to import competitors and health and sanitary regulations are nowadays serious obstacles to expanding export. The proportion of developed countries' import affected by nontariff barriers has increased in recent years rising from 25 per cent in 1966 to 48 per cent in 1986 [Laird and Yeats, (1988)]. Consequently, the ability of developing countries to expand exports, particularly of labour-intensive products liketextiles, clothing and footwear, is limited because of the escalating nontariff barriers. Worst of all, both tariff and nontariff barriers tend to increase as goods become more highly processed and embody more labour and capital services [World Bank (1986)].*

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* A study has been made to determine whether the incidence of protection encountered by Sub-Saharan Africa's (SSA's) exports in the major industrial market economies is more prohibitive than that for other developing countries and whether protection has constrained export growth. The findings clearly indicate that SSA had a better deal in terms of both tariffs and non-tariff protection in the EEC, USA and Japan. This was due in part to the special preferential treatment, especially in the EEC, and in part the low rate of tariff on primary goods which make up the bulk of SSA's export. It was shown that protection in the major industrial markets is not a significant constraint on SSA's export growth. There was no evidence of a significant deterioration in the preferential treatment enjoyed by SSA in higher levels of processing in EEC. The study concluded that protection in the major markets is not the cause of the poor relative performance (vis-a-vis other developing countries) of SSA countries. The main causes of the loss of world market share by most African countries are thus found on the supply side or failure to expand export volume [Erzan & Svedberg (1991)].

IV. THE STRUCTURE OF THE SERVICES ACCOUNT

70. African LDCs have continued to encounter sizeable and growing deficits in their services account. Practically all the principal components of this account (shipment, other transportation, travel, direct investment, other invisible transactions, other goods, services and income) have shown deficits within the period 1980-1988. The only two accounts that reported a positive balance are the private unrequited transfers and the official transactions account. In 1980, the deficits on the invisibles account stood at 68.0 per cent of the total current account deficit of this group of countries and about 5.4 per cent of the total for developing countries. For Africa, the deficit was about 138.3 per cent of the total current account deficit. By 1985, the deficit in the invisibles account had reached an all-time high of 129.0 per cent of the total current account deficit of African LDCs and about 70.4 per cent of the total for developing countries. As a matter of fact, whereas in 1985 Africa posted a positive current account balance of SDR 1,245 million, African LDCs recorded a deficit in their invisible accounts to the tune of SDR 1336.3 million. As a percentage of the total of merchandise export earnings for Africa, the deficit has grown from just 8.9 in 1980 to 48.9 in 1988. This is a pointer to the fact that invisible trade has continued to remain an extraordinary drain on African export income, with its attendant adverse consequences for real incomes and the capacity to import. Annex 16 shows the contributions of the various invisible account items to African LDCs' total deficit on the services account for the period 1980-1988. Shipment was the single most important item throughout the period, with its share of the invisible balance fluctuating between 50.4 and 80.0 per cent. This was closely followed by direct investment income whose share in the deficit as of 1988 was about 52.4 per cent.

(a) Freight and Insurance

71. Payments in respect of freight and insurance grew rapidly throughout the decade for African LDCs. This is to be expected, given that over 90 per cent of African freight trade is seaborne, but African (as opposed to foreign) fleets transport is less than 3 per cent of this amount. In 1988, net shipment costs amounted to 20.7 per cent of the total value of African LDCs' imports of goods, although there were wide variations from country to country (see Annex 17). Payment for shipment increased at an average annual rate of 0.67 per cent from 1980 to 1988. As a share of the total service balance, it decreased from 71.2 per cent in 1980 to 50.4 per cent in 1988. The aggregate data masks the wide geographical and regional variations that are observable in Annex 17. A marked

division is most noticeable when the landlocked/island African LDCs is compared with those in the coastal regions.

72. A comparison of the services accounts of landlocked developing countries with the accounts of other African LDCs shows that a large proportion of the foreign exchange earnings of the former is absorbed by transport payments. Annex 18 shows the transport payments ratio (ratio of transport payments to total export earnings) for 11 landlocked countries in the group. Except for Botswana, Lesotho and Niger, the table shows that (landlocked) African LDCs devote about 30 per cent of their export earnings to the payment of shipping costs. Such payments absorbed 63 per cent of Chad's earnings from the export of goods and services in 1985, 37 per cent of Rwanda's in 1985, 55 per cent of Mali's in 1985, 28 per cent of Malawi's in 1981, 29 per cent of the Central African Republic's in 1985 and about 40 per cent of Burkina Faso's in 1983 [UNCTAD (1989a)]. The magnitude of transport payments within the current account balance of landlocked developing countries exposes them to a peculiar type of external shock that has come to be known as "transport shock". 5/

73. The situation for island African LDCs is equally discouraging. According to the available data for 26 island developing countries (IDCs), in 1986, average freight and insurance costs as a share of imports (fob) were about 13 per cent, as compared to some 10 per cent for developing countries as a whole [UNCTAD (1988)]. The situation may be even worse for the smaller IDCs like Cape Verde, Comoros and Sao Tome and Principe. A number of factors explain this: first there is the geographic factor of the remoteness of their location; second, the low volume of individual shipments and the frequent imbalance between export and import volumes; third, IDCs with limited cargo availability cannot take advantage of the economies of cargo size that have evolved with modern technology in containerisation; fourth, most of the IDCs do not have deep-sea water facilities to handle bigger vessels. The virtual dependence of most of these IDCs on one mode of transport that is outside their control constitutes a fundamental threat to their very existence [UNCTAD (1990a)].

5/ Transport shock occurs when there are major disruptions to transport trade that increase normal shipping costs and lengthen the normal transit times and the routine delays affecting shipments. This may further aggravate the foreign exchange constraints of the affected countries by reducing the volume and value of exports and inflating the costs of imports. The analysis of the linkage between transit-transport difficulties and growth is undertaken by UNCTAD in "Progress in the implementation of specific action related to the particular needs and problems of landlocked developing countries", A/44/588.

74. Payments for shipping by African LDCs appear very much in excess of their receipts, for several reasons. Shipping and insurance are areas where the advanced industrial countries have maintained some dominance over the years, but, in Africa, financial and institutional factors have continued to hinder the development of these industries and necessitated dependence on foreign companies. Expansion in the volume of imports coupled with rising freight rates has contributed in no small measure to the increase in the costs of shipping. Furthermore, it would appear that the developing countries have been charged high discriminatory rates, allegedly to offset the costs of the idle time that ships are forced to spend at ports in these countries because of the poor facilities. African LDCs need to improve their harbour infrastructure and national fleets so that they can handle a larger share of their foreign trade. They should also review the current reliance on regular liners as against bulk transporters, since the latter accounts for up to 70 per cent of the movement of traffic in these countries.

75. The impact of the insurance industry in the services accounts of African LDCs is difficult to gauge because of the paucity of data. In most cases, insurance is aggregated with freight costs. The insurance industry in African LDCs is underdeveloped, as the insurance and reinsurance business is still dominated by foreign firms. In a recent study conducted by UNCTAD, it was shown that the structure of the insurance industry in most of these countries still swings towards non-life insurance, where the automobile sector holds: it takes more than 40 per cent of the non-life portfolio. The economic significance of insurance markets which are usually measured by the ratio of gross premium to GDP, is remarkably low in African LDCs. Annex 19 shows that the ratio of total premiums to GDP ranges from as low as 0.25 in Chad to 1.69 in Lesotho for non-life insurance.6/ Most insurance business is thus concentrated in the hands of reinsurance companies abroad. The vast majority of developing countries are net importers of reinsurance. The overall retention ratio (the ratio of net premium to gross premium) which measures the retention of a national insurance market is less than 50 per cent for most of these countries. In transport insurance (aviation, marine and island marine), almost all developing countries have to rely heavily on the international reinsurance market [UNCTAD (1990)]. In recent times, most of these countries have established national reinsurance companies with compulsory or agreed cession; local insurers cede a stipulated portion of each risk or surplus to a central, domestic reinsurance company. Others have been able to build up international portfolios through contracts with

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6/ The average value of this ratio for the United States, Canada, Japan and the Western European countries was 5.63 per cent in 1986.

international markets and neighbouring countries, and some African countries have set up offices in international reinsurance centres. The majority of African markets have joined the African Reinsurance Corporation, a regional intergovernmental body established in 1976 under the auspices of the OAU and the ADB.

(b) Direct Investment Income

76. Direct investment income as used here embraces direct investment income proper and 'other investment income'.7/ The balance on this account constitutes the second largest source of deficit in the services account. The net outflow of direct-investment income increased from SDR 451.5 m in 1980 to SDR 931.5m in 1988 representing about 36.4 and 52.4 per cent respectively of the total service deficit. Interest and dividend payments on foreign private investment represent a sizable component of the deficit in the invisible account of African countries. With low and often static interest rates on domestic savings, most investors in these countries have sought investment avenues in foreign high-saving countries. The reverse flow of interest and dividend payments has accounted for almost one-third of the total services deficit sustained by African LDCs. It is doubtful whether the indigenization exercise embarked upon by most of these countries in a new wave of nationalism in the eighties had any substantial effect in curtailing the outflow of profits and dividends. For several African LDCs, the net balance on account of 'other investment incomes' (mainly various earnings and payments for portfolio investments, including exchange reserves and international loans) was positive in the early 60's but has now diminished and in most cases become negative. This is due to a fall in earnings from the investment of their international reserves, which has been caused by decreasing reserves and increasing interest payments for servicing of external debt.

(c) Foreign Travel

77. Foreign travel is another major deficit component in the invisibles account of African LDCs. The deficit on this account increased from SDR 67.1 m in 1980 to SDR 186.2 m in 1988 - an increase of about 177.4 per cent. The bulk of payments and receipts is made on account of tourism, travel and maintenance expenses of government officials and students, excursionists, and other travellers who spend at least one night in the economy. Not

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7/ For a fuller discussion of direct investment, see the section under capital account.

only is total expenditure by Africans abroad greater than total expenditure by foreign tourists in Africa, but the continents earnings from the tourist industry are also reduced by the outflow of various remittances. Again, there are variations at the individual country level: for the period 1980-1988, seven countries (Benin, Botswana, the Gambia, Lesotho, Ethiopia, Sierra Leone, and Togo) found tourism, which had just been newly embraced, a very important source of foreign exchange. However, despite this, Africa's share of world travel remains small: at the beginning of the period 1980-1988 Africa's annual share of arrivals was 2.6 per cent, and, for the remaining years, it only varied between 2.5 and 3 per cent [Sako (1990)].

78. The role of tourism, particularly in island LDCs has often been extolled. It is often argued that a remote and rather isolated location may have to diminish some of the negative aspects of insularity by allowing the promotion of lucrative tourist industries. No doubt, the service sector has remained a key component in the growth of these countries and, as shown in Annex 20, contributes almost half of total output). Service credit as a percentage of exports in 1988 is about 50.4 in Comoros and about 14.7 in Sao Tome and Principe (Annex 21). However, the contribution of travel to total service credit is still negligible in African island LDCs when compared to its role in other island countries. Whereas in 1987 travel as a percentage of total exports of goods and services in island countries such as Cuba (70.1), Dominican Republic (45.5), Jamaica (84.0), Antigua and Barbados (459.5), Bahamas (428.9) was rather high, the situation in African island countries was poor - Comoros: 23.3, Sao Tome and Principe: 12.1 [UNCTAD (1990)]. This is mainly because they lack the improved facilities which are a prerequisite for the growth of the tourism industry.

79. Despite its attraction and multifaceted characteristics - foreign-exchange earning ability, the generation of employment, a boost to the local production of goods and services consumed by tourists etc. - tourism is not an easy sector to develop. First and foremost it thrives in an atmosphere of peace and security, an area in which African LDCs cannot claim great success. In Ethiopia, the net receipts from travel fell by 68.4 per cent between 1980 and 1988. Sierra Leone has also witnessed a decline towards the end of the decade. Tourism also requires good infrastructural support-- airports, transport and communication networks and public services, such as water and electricity supplies; above all, it requires adequate planning. If African LDCs are to take advantage of the expanding opportunities in the world tourist industry, these various constraints need to be removed. This is all the more important, given the recent poor performances in the world commodity markets, an area from which LDCs had hitherto benefitted

immensely. Judging by the ownership of hotels, airlines, travel agencies, tourist organizations etc., the tourist industry in most African LDCs still depends to a large extent on foreign investments and expatriate managerial skills. Where this is not so, excessive government controls hinder the profitable performance of the industry.

(d) Other Transportation

80. Another area in which the services account has witnessed a substantial deficit is that of "other transportation", which covers services such as handling, harbour anchorage, pilotage, towage, aircraft landing, provision of ships stores and bunkers etc. The deficit on this account is worsened by the deficit on the account for passenger fares, which, as in the case of ocean shipping, stems from Africa's dependence on foreign-owned carriers.

(e) Private Unrequited Transfers

81. The decade of the eighties has witnessed a positive balance in aggregate private unrequited transfers for African LDCs, which in this case encompasses mainly transfers of earnings of foreign migrant labour and other unrequited private transfers.8/ The net transfers increased from SDR 52.4 m in 1980 to SDR 138.1m in 1988 an increase of about 163.5 per cent. Although the performance varied from country to country, Benin, Burkina Faso, Burundi, Comoros, Ethiopia, Gambia, Lesotho, Malawi, Mali, Sierra Leone, Somalia and Sudan, all witnessed a positive net transfer during the decade. It has been suggested that improvement in this account is a result of incentives such as favourable (unfavourable?) exchange rates and liberal legislation on capital flows introduced by the home governments to encourage workers to remit their foreign earnings. For instance, in Sudan, workers are allowed to open accounts, denominated in Sudanese pounds, by remitting foreign exchange which is converted at the free market rate. In some cases, the opening of a foreign currency domiciliary account allows nationals to retain their earnings in foreign exchange in free or special accounts. These incentives have the effect of boosting workers' remittances. As shown in Annex 22, workers remittances had come to represent a considerable proportion of the total value

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8/ For the purpose of this analysis private unrequited transfers consist of migrants' transfers, workers remittances and other private unrequited transfers. See IMF Balance of Payments Manual (Fourth Edition) 1977, p. 115-116.

of merchandise exports by the middle of the decade posting a value of 74.6 per cent for Burkina Faso, 67.8 per cent for Ethiopia, 23.5 per cent for Mali, 1122.4 per cent for Lesotho, 52.9 per cent for Somalia and up to 35 per cent for Sudan. Lesotho's service account is dominated by the increased returns from the export of labour services to the South African mining industry. In 1989 for instance, labour income increased by 12.6 per cent and unrequited transfers by 113.4 per cent [Central Bank of Lesotho (1990)]. For island African LDCs, international migration, when it is compensated for by inflow of remittances, could be a major advantage. In the Comoros for instance, the credit on workers' remittances as a percentage of merchandise exports in 1986 was 23.5 while in Cape Verde it reached a high of 666.7. Thus it constituted a major source of foreign exchange for these countries in addition to being a major regulator of demographic pressure on land.

(f) Official Transactions

82. The other item that has shown a positive balance over the period is official transactions. For most reporting countries a surplus is shown on this account e.g. Botswana, Central African Republic, Ethiopia, Somalia, Sudan and Togo. This could be attributed to the fact that foreign missions have expended more in these countries than the LDCs have spent abroad for the same period. Also, in a few countries, local expenditure by foreign troops and related military personnel have contributed large earnings of foreign exchange.

(g) Other Services

83. For convenience, we have grouped together other invisible transactions and other goods, services and income under the heading, "Other Services" in this study. The items covered here include non-merchandise insurance, reinsurance and banking, all unallocated receipts and disbursements, consultancy, leasing, engineering and construction. This entry represents a sizable proportion of the current-account deficit in the countries concerned, mainly as a result of the difficulty of collecting data on foreign exchange movements covered by this heading.

84. From the foregoing discussion, it is obvious that deficits in the invisibles account have remained a major source of disequilibrium in the balance of payments accounts of African LDCs.

V. CAPITAL ACCOUNT

A. Structure

85. The main item in the capital account of the balance of payments of African LDCs are direct and portfolio investment, long-term capital inflows, short-term capital inflows and reserves. 9/

(a) Direct and Portfolio Investment

86. Direct investment can be new equity capital, reinvested earnings or net borrowing from a parent company or its affiliates. It is investment made to acquire a lasting interest and an effective voice in the management of an enterprise.

87. The average value of foreign domestic investment (FDI) inflows into Africa as a region for the period 1980-1987 reached a peak of US$1,558.36 m from a low of $739.81 million between 1970-1979. The average annual growth rates for the corresponding periods were -0.17 per cent and 22.73 per cent. Compared to other regions of the world, the decline is substantial (Annex 23). Direct investment fell substantially in the period 1980-1981 at the beginning of the global recession of the early eighties. However, direct investment was less severely affected by the recession than was borrowing, particularly from private creditors. Between 1986 and 1988, while net lending to developing countries fell from a peak of $24.3 billion to a meagre $11.6 billion, the volume of direct investment flows almost doubled from $6.6 billion in 1986 to $11.0 billion in 1988 an increase of 66.7 per cent, though this was accomplished in part by debt-equity swaps [Asante-Odame (1991)].

88. Direct investment in the African LDCs has demonstrated an irregular pattern. In absolute terms, foreign direct investment (FDI) inflows has increased from $111.0 million in 1970-79 to $156.22 million in 1980-1987. As a percentage of the total for Africa for the period 1970-79, African LDCs held only 15.0 per cent of all FDI inflows, a situation that further deteriorated between 1980-1987, when it fell to 10.02 per cent. The growth rate of FDI inflows worsened between 1980-1987 as many of these countries experienced a negative or static growth rate in output. From Annex 24, it will be observed that most of the FDI inflows were concentrated in countries that have fairly large domestic markets or are rich in natural resources. Thus, for the period 1980-87,

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9/ The capital account is usually divided into the monetary and non-monetary sectors. The monetary sector includes direct investment in enterprises controlled by the investor, other investment in securities and changes in open bank accounts of private traders and loans for development, the bulk of what constitutes inflows and outflows of capital. The non-monetary sector is the monetary authorities finance of surpluses or deficits by changes in reserves.

Botswana, Liberia, Mauritania, Rwanda, Chad and Niger account for close to 92 per cent of the total FDI inflows into African LDCs. Botswana alone accounts for about 48 per cent of the total. Countries that have small domestic markets and lack substantial natural resources or an export-oriented manufacturing base were very often relatively unsuccessful in attracting direct investment. Another major hindrance to the attraction of FDI during the period was unstable polity. Frequent wars and coups d'etat disrupted the inflow of FDI, as witnessed in the case of Ethiopia, Liberia, Somalia, Sudan and Uganda.10/ The importance of FDI can be gauged by its share in total external liabilities: at the end of 1989, FDI accounted for less than 1 per cent of the total external liabilities of African LDCs (Annex 25). This again emphasises the excessive reliance on debt as against non-debt creating flows in development financing in these countries.

89. Little information is available on portfolio purchase of equity in enterprises based in these countries. For the period 1980-89, such purchases appear to be very small and insignificant. The total purchases for all African LDCs is estimated at $2.1 million as of 1989. Except for Burkina Faso, Malawi and Tanzania, there is no record of portfolio investment for other African LDCs.

90. Foreign direct and equity investment could have an impact on a country's long-term development, since it is directly linked to productive investment and also facilitates the transfer of technology and managerial and marketing skills. However, in spite of the various incentives offered by LDCs to the prospective investors in a bid to relax restrictions on FDI inflows, it is doubtful whether this source of finance can play any appreciable role in solving the LDC external funding problem. In a study by the OECD, it was concluded that such measures influence investment decisions only marginally [OECD (1983)]. The Group of Thirty survey also found that fiscal incentives are not very important in influencing investment decisions, and it has been established that FDI is influenced mainly by the size of the market and its recent and expected performance [Group of Thirty (1984)]. African LDCs have performed poorly on both scores. Most of them are small in size and a few are either land-locked or island states. Their history of political instability does not enhance expected performance and may not encourage foreign investors. The situations in Togo, Ethiopia, Uganda, Somalia and Sudan are cases in point. In a World Bank study of foreign manufacturing activity in 10 countries [Guisinger (1983)], it was found that the 10 countries competed for foreign investment and Helleiner has demonstrated that where countries at a similar level of development and with similar market sizes compete for foreign investment by enhancing incentives, they may simply enhance earnings from

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10/ The situation in Ethiopia was compounded by nationalisation and Government ownership.

investment without increasing its flow [Helleiner (1984)]. In the face of this overwhelming body of evidence,it is doubtful whether African LDCs can continue to rely on foreign direct investment as a major source of external finance.

(b) Long- and short-term Capital

91. The net inflow of long-term capital between 1980 and 1988 has displayed an irregular pattern. Net flow declined from SDR 1117.3 in 1985 to SDR 891.5 in 1987 for the 24 reporting countries, a decline of about 20.2 per cent. In 1988, there was a rise to SDR 915.83 from the 1987 value (Annex 26). The greater number of countries embarking on foreign borrowing in the wake of a worsening domestic economy is a major factor in this increase. Over 70 per cent of this increase is accounted for by drawings on loans received, an amount that would have been quite substantial but for the repayments on loans which in most cases took more than a third of the total inflow.

92. The inflow of short-term capital has followed a similar pattern. The fall in total inflow is noticeable in almost all countries reporting. This could be due to the slow pace in bank lending to LDCs in the wake of defaults by highly-indebted countries. Following the emergence of major debt-servicing difficulties in 1982, international bank lending to developing countries took a plunge as voluntary bank lending was replaced by concerted financing with official intervention.

(c) Official Reserves

93. Generally, the official reserves of the African LDCs rose marginally during the eighties. From Annex 27, total external reserves which stood at only $2219.9 million in 1985 increased to $4949 million in 1989. However, for most of the countries, the reserve position remains precarious as they can barely support one month of imports of goods and services - Somalia, Benin, Tanzania, Uganda, Sierra Leone and Liberia [World Bank (1989)]. The improvement in the reserve position of some of the countries has nothing to do with improvements in the economy. Rather, reserve building has been associated with growing uncertainties in the international environment: uncertain prospects for capital flows, acute shortages in the availability of international liquidity because of the gradual reduction in access to less conditional fund facilities and the near-impossibility for many countries of borrowing reserves on the international capital markets.

B. Debt and Debt Service Payments

94. Twenty four of the world's twenty seven severely indebted low income countries are in sub-Saharan Africa and out of these, eighteen belong to the group of Africa's LDCs. The total external debt of these countries, including the use of IMF credits, has risen from $34.4 billion in 1985 to $49.9 billion in 1989, accounting for 59.7 per cent and 38.5 per cent of the total external debt of sub-Saharan African countries. Though the share in the total for the group is showing a decline because of more aggressive borrowings by other sub-Saharan African countries like Nigeria, Zambia, the Congo and Cote d'Ivoire, the debt burden of African LDCs has not shown any appreciable decline in the past decade, because of a declining export growth rate and increasing world interest rates. Total export earnings of African LDCs increased from $7.7 billion in 1988 to $8.3 billion in 1989, but fell to $7.8 billion in 1990 due mainly to adverse terms of trade in the international commodity markets [ECA (1991)].

95. In terms of quantity, the total debt of African LDCs should not pose a serious problem when compared to figures for other subregions. It is less than 10 per cent of the total for all developing countries and lower than what is owed by Brazil ($111.2 billion) or Mexico (95.6 billion) alone. However, the real magnitude of this debt is better considered within the realm of the structure of the economies of African LDCs. These economies suffer from structural weaknesses - lack of a diversified export base, heavy dependence on primary commodity exports, rapid population growth, a weakly educated populace and a poorly- developed health care system - which make the accumulation of debt very precarious. Moreover, a much larger share of the debt of these countries represents claims on official agencies or claims guaranteed by creditor government agencies [World Bank (1990/1991)]. These facts underline the need for external support for these countries. The magnitude of the debt burden can be inferred from Annex 28. Total external debt as a percentage of exports rose from 189.9 in 1980 to 453.6 in 1989. As a percentage of GDP, it has risen from 27.8 in 1980 to 89 in 1989. Debt service as a percentage of exports has ranged between 15 and 18 per cent, while as a percentage of GDP, it has fluctuated between 3.09 and 4.80. The situation becomes more worrisome when individual country data is looked at. For countries like Guinea-Bissau, Mozambique, Sao Tome and Principe, Sudan, Tanzania and Uganda, it would seem that they merely produce to service external debt (Annex 28). The debt service ratios understate the true debt service burden facing African LDCs because they reflect only payments and not scheduled obligations. Once debt

relief and arrears are taken into account, scheduled debt service obligations may exceed this value.11/

96. Annex 29 shows the disbursements of long-term loans, amortisation and interest payments on loans for the group between 1985 and 1989. Although the figures tend to portray an overall positive net flow of resources to African LDCs, the percentage of this flow that goes into interest and profit remittances, rebuilding of international reserves, private capital outflows and, recently, debt buy backs and debt-equity swaps may leave nothing for additional imports of goods and non-factor services which are essential for development. Between 1985 and 1988, interest payments on loans increased by about 40 per cent whereas disbursements only rose by 16.7 per cent (Annex 29). At 6.1 per cent, total external debt-service payments have increased faster than actual disbursements within the period, and this has led to a decline in the rate at which resources are being transferred to African LDCs. Interest payments as a percentage of net flows have been over 30 per cent within the period 1985-1989. As a matter of fact they reached a high of 48.0 per cent in 1986, declined to 35.1 per cent in 1987 and thereafter started to rise again.

97. The most important source of net lending to African LDCs is official creditors. In contrast to private debt, official creditors share in net disbursements increased from 76.6 per cent in 1980 to 89.9 per cent in 1989. Of the total, bilateral credit account for over 60 per cent. After initial growth in the 1970s, multilateral sources of credit have witnessed a gradual decline, giving way to bilateral and private sources. There has also been a decline in concessional finance as a fraction of total official credit over the years. After hitting a peak of 75.7 per cent in 1985, this has gradually declined to 69.0 per cent in 1989 and within the same period non-concessional lending has increased from 24.2 per cent to 30.1 per cent. Within the official bilateral sources, concessional flows as a percentage of the total declined from 72.5 per cent in 1980 to 58.4 per cent in 1989 (Annex 30). Although official credit is supposed to carry lower charges than private credit, the contraction of debts from multilateral sources and the increasing reliance on bilateral official sources, accompanied by the increasing influence of concessional over non-concessional loans, introduces another dimension to African LDCs' debt problem. Between 1970 and 1987, interest rates of all creditors increased by 172 per cent from 3.7 per cent in 1970 to 10 per cent in 1987. The maturity period shortened by 35 per cent from 6.7 years in 1970 to 4 years in 1987. The grace period also became shorter by 36 per cent, with the overall growth element down by 86 per cent.

11/ Joshua Greene has actually shown that taking scheduled debt relief and arrears into consideration for sub-Saharan Africa might give a 50 per cent estimate. The external debt problem of sub-Sahara Africa, IMF 1989. (Unpublished manuscript)

Although the overall decline in the growth element and grace period was steeper for private creditors than official creditors, the increase in interest rates on official loans (166%) was much higher [Soko (1990)]. Given the importance of this source of lending to African LDCs, the debt problem becomes more disturbing. To further compound the problem of resource flows to African LDCs, there has been a gradual but consistent decline in the share of private credit in total credit from 23.3 per cent in 1980 to 10.3 per cent in 1989 due to the unwillingness of commercial banks to increase their exposure to the international capital market following the emergence of major debt-servicing difficulties in the eighties.

VI. POLICIES AND ACTIONS FOR MITIGATING THE DEFICIT IN THE BALANCE OF PAYMENTS

98. As highlighted already, the balance-of- payments problem in African LDCs is basically structural, the solution to which requires domestically-initiated growth and fundamental structural change. 12/ Inappropriate policies have encouraged the growth of import-dependent industrialization and reinforced dependence on a narrow range of primary commodities. Hard-earned foreign exchange has been dissipated by pursuing import substitution strategies that do not make optimal use of financial and human resources.

99. The balance-of-payments deficit in most of the African LDCs is seriously aggravated by rising debt burden, by debt- servicing obligations, and by increased payments for services and essential imports, including food. Debt-relief measures, including widespread rescheduling, have not changed the overall situation perceptibly. Nor have the structural adjustment programmes initiated by the international financial institutions had the desired results. In fact, the programmes' lack of well articulated long-term perspectives has exposed countries to the risk of neglecting infrastructure and other structural factors that impose long-term constraints on growth. In addition, the unexpected impact of adjustment measures on the most vulnerable segments of the population in the programme countries has made the social, economic and political environment less stable. One asks therefore how the fragile economies of the African LDCs are to rise out of the pit of poverty in which they are engulfed and lay the foundation for socio-economic and structural transformation in the 1990s and beyond?

100. The solution lies both in domestic resource mobilization and an increased flow of concessional assistance from the donor community. Indeed, Africa itself must cultivate the virtue of self-reliance, not by words only but by concrete and practical deeds. Domestic savings are the principal means of financing future growth and development, and in this regard, there is a need to embark on appropriate monetary, fiscal and exchange rate policies and a wide network of financial institutions in order to encourage savings. However, most of African LDCs are very poor and, under even the most optimistic assumptions, it is doubtful whether enough savings can be generated under the present level of poverty. In addition, in the face of dwindling resource inflows and debt service commitments, the tendency has been to crowd-out savings and further limit investment. Creditor nations need to reconsider their debt relief strategy in order to give the capital account of LDCs an opportunity to recover. Writing off the debt of these countries will not harm the economies of the advanced, industrial countries but it will give these debtor nations a clean slate and an opportunity to start all over again given that most of them are

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12/ See J. Ahmad, Import Substitution, Trade and Development (Connecticut, 1978).

currently embarking on adjustment programmes for which resource flows are indispensable.

101. Secondly, concentration of export on a few commodities has made the economies of African LDCs highly susceptible. A sharp fall in international prices or a fluctuation in external demand has severe consequences on foreign exchange earnings, import capacity, level of employment, and indeed, on the whole development process. For countries heavily relying on a single export product, the impact of a drastic fall in prices can be devastating. Consequently, the emphasis should be on 'diversification of agricultural exports and of markets rather than on mere expansion'. Diversification into non-traditional crops with high price and income elasticities should be encouraged by R and D, extension, infrastructure and marketing support, as well as price incentives. 13/

102. Thirdly, moving from overvalued exchange rate to equilibrium real exchange rate is imperative in stimulating export and encouraging the use of domestic resources. However, generalized and persistent devaluations are suspect as policy prescriptions within the context of LDCs. What is called for is a cautionary approach to the problem of overvalued exchange rates through the use of selective exchange rate policies and occasional devaluation, if need be, and not across-the-board devaluations and floating exchange rate policies as have been the case in most LDCs undergoing adjustment programmes.

103. Fourthly, African LDCs' high dependence on imported food, fuel and capital goods makes them very vulnerable to external fluctuations and curtails their ability to embark on rapid and sustained developmental goals. This situation calls for comprehensive new policies, particularly in the areas of food production through improved agricultural development and industrialization. As regards industrialization, African Governments clearly need a more flexible and balanced tariff system to make progress in their industrialization efforts. First and foremost, this would entail careful selection and development of those sectors which have low import coefficients, industries that can eventually become more self-reliant by using inexpensive domestic raw materials. Much as tariff protection deserves consideration, it is important that tariff walls are not kept up indefinitely but gradually revised in response to the domestic industrial effort.14/ Import policies will have to be strictly

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13/ See M. Godfrey, "Trade and Exchange Rate Policy: A Further Contribution to the Debate", in T. Rose (ed.) Crisis and Recovery in the Sub-Saharan Africa (OECD, 1985).

14/ See I. Patel, "Trade and Payments Policy for a Developing Economy", in R. Harrod and D. Hague (eds.), International Trade Theory in a Developing World (London, 1964)

and rigorously selective, giving priority to import of capital goods. Above all, agricultural development is a sine qua non for industrial development. Improved agricultural incentives can stimulate industry by increasing supplies of domestic raw materials and raising rural incomes, which will result in stimulating demand for products in a number of industries - textiles, manufacturing, building materials and light consumer goods.

104. Fifthly, hardly any African country achieved independence without inherited institutions and structures. This is particularly true of the service sector. Not only is most of the service sector in foreign hands, but, also, many African LDCs have not yet adopted a "service development" policy which supports their overall development strategy. What is even more alarming is the fact that services such as shipping, banking and insurance are concentrated in urban conglomerations and have not yet made significant inroads into rural areas. Consequently, Africa's service infrastructure, originally designed to cater to the needs of colonial powers, needs to be radically modified. It is of paramount importance to reorient the transport network, banking, insurance, shipping and other ancillary services in order to enhance the domestic growth effort and thereby mitigate the deficit in the balance of payments. Furthermore, competitiveness at the enterprise level depends on such attributes as financial capacity, the ability to use telecommunication and information technology effectively, appropriate incentives etc. which, at present, are grossly lacking in most African LDCs and need therefore to be urgently addressed.

105. Finally, regional co-operation and intra-African trade is an effective way of mitigating the deficit in the balance of payments. The recession of the 1980s has amply demonstrated that prosperity in one part of the globe may not spread either so quickly into other parts of today's world. The historical perception that the relative buoyancy of one hemisphere could transmit itself to the other through international trade is increasingly being questioned. Consequently, the creation of co-operative arrangements without customs and trade barriers, the harmonization of tax system in order to facilitate industrial co-operation and the local processing of raw materials for marketing within the region should be vigorously pursued. It is only through intra-regional trade and other types of economic co-operation that African industries can benefit from the economies of scale vital to their development.

Share of Some Commodities in the Total Merchandise Export in Selected African LDCs (%)

	1970 (%)	1980 (%)	1989 (%)
1. Coffee			
CAR	21.61	27.48	20.52
Ethiopia	59.43	64.09	69.50
Rwanda	54.40	52.50	66.59
Tanzania	16.87	27.30	40.46
Uganda	50.35	94.64	97.91
2. Cocoa			
Eq. Guinea	68.00	97.50	16.83
Sierra Leone	3.96	12.54	6.67
Togo	41.45	2.36	5.86
3. Cotton			
Burkina Faso	26.11	44.11	86.67
Mali	13.52	42.26	49.82
Sudan	62.38	39.68	66.91
Tanzania	13.36	10.24	25.38
4. Bauxite			
Guinea	9.05	76.28	93.81
5. Iron Ore			
Liberia	70.75	51.63	77.30
Mauritania	86.97	60.48	77.77
6. Phosphate			
Togo	24.36	40.30	62.10

Source: UNCTAD, Yearbook of International Commodity Statistics 1984; and UNCTAD, Commodity Yearbook, 1991.

Value of Exports (US$ billion)

	1970	1980	1989
TOTAL MERCHANDISE EXPORTS 1/			
World	316.22	2,017.17	3,039.20
Developing Africa	12.76	94.71	55.10
African LDCs	2.12	6.59	6.09
Share of dev. Africa in world (%)	(4.04)	(4.66)	(1.81)
Share of LDCs in Dev. Africa (%)	(16.6)	(6.96)	(11.05)
TOTAL AGRICULTURAL PRODUCTS 2/			
World	51.56	232.51	301.35
Developing Africa	4.71	11.80	10.31
African LDCs	1.46	3.59	3.27
Share of dev. Africa in world (%)	(9.14)	(5.08)	(3.42)
Share of LDCs in Dev. Africa (%)	(31.00)	(30.42)	(31.72)
TOTAL MINERALS, ORES AND METALS 3/			
World	23.67	95.06	124.81
Developing Africa	2.36	6.25	5.90
African LDCs	0.35	1.80	1.70
Share of dev. Africa in world (%)	(9.97)	(6.57	(4.73)
Share of LDCs in developing Africa (%)	(14.83)	(28.80)	(28.81)

Source: 1/ UNCTAD, Yearbook of International Commodity Statistics 1984 and 1986; and UNCTAD, Commodity Yearbook, 1991.

2/ FAO, Yearbook Trade 1971, 1981 and 1990

3/ UNCTAD 1984, 1986 and 1991 and refers to aluminium, copper, iron, lead, manganese, nickel, phosphate, sulphur, tin and tungsten.

Coffee Production and Export

	Production			Export					
	Volume (million MT)			Value (US$ billion)			Volume (million MT)		
	1970	1980	1990	1970	1980	1990	1970	1980	1990
World	3.950	4.800	5.960	3.089	12.496	7.700	3.279	3.717	4.999
Developing Africa	1.320	1.140	1.200	0.816	2.815	1.386	1.011	0.892	1.082
African LDCs	0.580	0.470	0.580	0.332	0.991	0.526	0.397	0.320	0.393
- CAR	0.010	0.017	0.027	0.007	0.032	0.010	0.009	0.011	0.011
- Ethiopia	0.205	0.187	0.195	0.073	0.272	0.129	0.071	0.076	0.064
- Rwanda	0.014	0.028	0.037	0.014	0.039	0.068	0.014	0.022	0.046
- Tanzania	0.012	0.048	0.050	0.044	0.139	0.079	0.045	0.042	0.061
- Uganda	0.221	0.110	0.168	0.142	0.341	0.142	0.191	0.110	0.142
- Others	0.118	0.080	0.103	0.052	0.168	0.098	0.067	0.059	0.069
Share of Developing Africa in world total (%)	(33.42)	(23.75)	(20.13)	(26.42)	(22.53)	(18.00)	(30.83)	(24.00)	(21.64)
Share of LDCs in Developing Africa (%)	(43.94)	(41.22)	(48.33)	(40.69)	(35.20)	(37.95)	(39.26)	(35.87)	(36.32)

Source: FAO Yearbook Trade, 1971, 1981, 1990
FAO Yearbook Production, 1971, 1981, 1990.

Cocoa Production and Export

	Production			Export					
	Volume (million MT)			Value (US$ billion)			Volume (million MT)		
	1970	1980	1990	1970	1980	1990	1970	1980	1990
World	1.523	1.621	2.398	0.866	3.065	2.142	1.134	1.090	1.780
Developing Africa	1.092	0.984	1.263	0.695	2.289	1.409	0.866	0.785	1.093
African LDCs	0.074	0.047	0.035	0.051	0.112	0.075	0.036	0.043	0.029
-Eq. Guinea	0.030	0.008	0.007	0.017	0.016	0.019	0.018	0.006	0.006
-Sierra Leone	0.005	0.007	0.009	0.004	0.023	0.005	0.005	0.008	0.005
-Togo	0.026	0.016	0.009	0.023	0.039	0.009	0.031	0.015	0.006
-Others	0.013	0.016	0.010	0.013	0.034	0.014	0.020	0.014	0.012
Share of Developing Africa in world total (%)	(71.700)	(60.700)	(52.670)	(80.250)	(74.680)	(65.780)	(76.370)	(72.020)	(61.400)
Share of LDCs in Developing Africa (%)	(6.780)	(4.780)	(2.770)	(8.200)	(4.890)	(2.560)	(8.660)	(5.480)	(2.650)

Source: FAO Yearbook Trade, 1971, 1981, 1990
FAO Yearbook Production, 1971, 1981, 1990.

Cotton Production and Export

	Production			Export					
	Volume (million MT)			Value (US$ billion)			Volume (million MT)		
	1970	1980	1990	1970	1980	1990	1970	1980	1990
World	11.727	13.024	18.457	2.483	7.846	8.434	3.942	4.815	5.113
Developing Africa	1.327	1.167	1.261	0.774	1.178	1.311	0.964	0.610	0.744
African LDCs	0.567	0.375	0.564	0.346	0.513	0.784	0.514	0.322	0.386
- Burkina Faso	0.011	0.029	0.071	0.005	0.040	0.090	0.013	0.028	0.064
- Mali	0.022	0.056	0.097	0.007	0.084	0.170	0.014	0.047	0.111
- Sudan	0.246	0.114	0.125	0.186	0.236	0.230	0.230	0.132	0.130
- Tanzania	0.065	0.059	0.059	0.035	0.052	0.066	0.161	0.034	0.042
- Others	0.223	0.117	0.212	0.113	0.101	0.228	0.096	0.081	0.039
Share of Developing Africa in World total (%)	(11.32)	(8.38)	(6.83)	(31.17)	(15.01)	(15.54)	(24.45)	(12.67)	(14.55)
Share of LDCs in Developing Africa (%)	(42.73)	(32.13)	(44.73)	(44.70)	(43.55)	(59.80)	(53.32)	(52.79)	(51.88)

ource: FAO Yearbook Trade 1971,1981 and 1990
FAO Yearbook Production 1971, 1981 and 1990.

Mineral Production and Export

	Production			Export					
	Volume (million MT)			Value (US$ million)			Volume (million MT)		
	1970	1980	1989	1970	1980	1989	1970	1980	1989
1. **Bauxite**									
World	12.97	20.05	108.27	267.00	1002.30	950.40	27.49	37.02	34.39
Dev. Africa	0.73	3.41	19.40	7.70	233.90	446.50	1.60	10.67	16.17
African LDCs	0.65	3.36	19.05	5.70	230.80	433.90	1.26	10.45	15.85
-Guinea	0.56	3.20	17.50	3.80	223.50	403.40	0.81	9.70	14.30
-Sierra Leone	0.09	0.16	1.55	1.80	7.30	30.50	0.45	0.75	1.55
-Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share of Developing Africa in world total	(5.63)	(17.01)	(17.92)	(2.88)	(23.34)	(46.98)	(5.82)	(28.82)	(47.02)
Share of LDCs in Developing Africa	(89.04)	(98.53)	(98.20)	(74.03)	(98.67)	(97.18)	(78.75)	(97.38)	(98.02)
2. **Iron Ore**									
World	767.25	891.72	977.92	2653.40	7135.20	8220.10	323.09	377.23	420.27
Dev. Africa	51.18	33.25	32.45	332.60	480.10	473.10	47.56	27.48	23.99
African LDCs	36.76	26.25	25.51	240.70	461.40	471.10	35.21	25.90	23.89
-Liberia	23.26	18.25	13.40	150.70	310.30	286.00	23.56	17.20	12.75
-Mauritania	9.11	8.00	12.11	77.40	151.10	185.10	9.22	8.70	11.14
-Others	4.39	0.00	0.00	12.60	0.00	0.00	2.43	0.00	0.00
Share of Developing Africa in world total	(6.67)	(3.72)	(3.32)	(12.53)	(6.73)	(5.76)	(14.72)	(7.28)	(5.71)

	Production			Export					
Share of LDCs in Developing Africa	(71.82)	(79.04)	(78.61)	(72.37)	(96.10)	(99.58)	(74.03)	(94.25)	(99.58)
3. **Phosphate Rock**									
World	81.07	138.67	165.07	416.00	2178.20	1761.80	38.57	52.07	45.01
Dev. Africa	18.20	29.80	33.08	166.90	1044.10	761.50	17.10	22.94	19.51
African LDCs	1.52	2.93	3.37	13.40	135.00	130.40	1.50	2.82	3.35
-Togo	1.51	2.93	3.36	13.40	135.00	130.40	1.50	2.82	3.35
- Others	0.01	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Share of Developing Africa in world total	(22.45)	(21.49)	(20.04)	(40.12)	(47.93)	(43.22)	(44.33)	(44.06)	(43.35)

Source: UNCTAD Yearbook of International Commodity Statistics, 1984 and 1991.

Structure of Imports (US$m)

Year	Total imports	Food, Beverages and tobacco	Agric. raw materials	Fuels	Mineral ores and metals	Manufactures	Others
1980	11332	2210.4	82.0	1439.1	116.7	6685.0	798.0
1985	9177	2251.9	116.7	1174.6	88.9	5414.4	124.5
1986	10005	2201.4	118.2	1280.6	115.8	5902.9	385.9
1987	11272	2106.1	126.9	1442.8	138.2	6650.5	813.5
1988	11585	2434.9	122.4	1482.9	138.2	6835.1	571.5

Source: Compiled from (i) IMF, International Financial Statistics, Trade Supplement
(ii) Monthly Bulletin of Statistics
(iii) UNCTAD, Handbook of International Trade and Development Statistics.

Commodity Structure of Imports (in %) latest available year

	Main Category of Imports (in %)					
	All food items	Agricultu ral raw materials	Fuels	Ores and metals	Manufactured goods	Unallocated
Benin	14.8	2.5	5.2	1.8	75.5	0.3
Botswana	16.1	..	7.2	9.4	55.1	12.1
Burkina Faso	25.5	2.1	17.1	4.1	51.2	..
Burundi	11.9	2.2	14.4	12.2	55.8	3.5
Cape Verde	32.6	0.8	13.9	2.2	50.3	0.2
CAR	16.6	..	24.8	..	57.4	1.1
Chad	18.1	1.0	1.2	1.5	77.9	0.3
Comoros	22.2	1.0	7.2	3.1	61.8	4.7
Djibouti	38.4	..	9.8	..	41.4	10.4
Eq. Guinea	23.5	..	16.8	..	44.5	15.2
Ethiopia	29.8	3.0	14.8	3.2	49.3	..
Gambia	36.6	1.4	10.7	..	50.6	0.6
Guinea	12.8	0.7	29.2	2.9	53.9	0.5
Guinea Bissau	21.2	..	12.0	..	61.2	5.6

Lesotho	26.9	1.2	7.6	1.7	61.7	1.0
Liberia	25.0	0.4	19.7	1.3	53.0	0.5
Malawi	8.2	1.5	18.0	4.2	67.8	0.3
Mali	15.4	0.7	17.6	2.6	63.1	0.4
Mauritania	36.3	..	13.9	..	49.8	..
Mozambique	6.6	..	8.5	..	73.0	0.1
Niger	16.9	0.6	4.2	6.1	72.0	0.2
Rwanda	10.8	0.1	14.0	7.9	66.9	0.2
Sao Tome & Principe	36.3	0.5	1.8	4.4	56.8	0.2
Sierra Leone	25.3	2.2	12.1	..	60.4	..
Somalia	23.9	1.5	18.3	2.8	53.5	0.2
Sudan	19.7	..	18.7	..	61.6	..
Togo	27.8	..	10.4	0.6	44.8	16.4
Tanzania	7.9	..	22.7	15.9	53.4	0.2
Uganda	10.8	..	..	1.9	71.8	15.5
All African LDCs	21.6	1.7	14.9	5.5	53.9	2.4
All Developing Countries	9.7	3.5	15.1	6.8	60.4	4.5

Source: UNCTAD; The Least Developed Countries 1990 Report, p. A11-21.

E/ECA/LDCs.11/EXP.10/4
Annex 8

African LDCs Food Imports and Total Merchandise Exports 1980-1990

	Ratio of Food Imports to Total Merchandise Exports (%)		Average Annual Growth Rate of	
			Food Imports	Total Exports
	1980	1989	1980-89	1980-89
Benin	9.8	10.8	0.43	1.07
Botswana	16.4	5.6	2.97	17.0
Burkina Faso	60.7	103.0	4.13	-1.6
Burundi	37.8	16.9	2.0	2.0
Cape Verde	635.0	578.0	2.5	2.5
CAR	15.2	2.8	4.8	1.7
Chad	9.3	17.0	33.9	9.3
Comoros	57.0	92.2	4.6	-1.0
Djibouti	247.0	242.0	0.3	0.5

Eq. Guinea	55.0	20.2	0.8	19.3
Ethiopia	19.8	37.0	8.5	-0.12
Gambia	77.7	127.7	12.6	2.9
Guinea	17.4	30.0	5.2	0.93
Guinea Bissau	10.1	212.3	11.1	1.8
Lesotho	149.0	248.3	1.4	-3.1
Liberia	13.9	23.6	0.6	3.7
Malawi	8.5	14.8	7.3	-0.6
Mali	31.6	31.5	3.0	3.2
Mauritania	40.7	49.6	3.2	2.3
Mozambique	39.8	168.0	6.4	-6.4
Niger	11.4	25.7	0.4	-5.6
Rwanda	25.8	38.1	3.8	-2.1
Sao Tome & Principe	28.5	144.0	2.6	-7.5
Uganda	12.9	8.6	-4.8	-2.1

Source: UNCTAD (i) Handbook of International Trade and Development Statistics, 1990.
(ii) FAO, 1991 Agrostat data Statistics Division, Rome, Italy.

Cereal Imports of African LDCs

	1980	1985	1987	1988	1989
Volume (metric tons)	30,227	41,205	36,146	44,450	38,309
Value ($m)	829.6	846.2	689.8	819.9	864.8
As % of food imports	75.9	58.4	56.2	58.6	57.7
As % of total merchandise imports	7.3	9.2	6.1	7.9	7.5
As % of total merchandise exports	12.7	14.6	8.6	12.3	12.5

Source: FAO: Trade and Production Yearbook various issues.

African LDCs: Food Aid 1989/90

	Cereal	Non-cereal	Total
Sub-Saharan Africa	3,371,092	325,398	3,369,481
African LDCs	2,281,557	279,348	2,560,905
out of which:			
Sudan	632,109	29,976	662,088
Ethiopia	716,009	56,585	772,594
Mozambique	529,666	61,147	590,813
% share of Sudan, Ethiopia & Mozambique in total of African LDCs	66.5	52.8	79.1
In total for Sub-Saharan Africa	55.7	44.3	54.8

Source: World Food Programme: The Food Aid Monitor, No. 7, June 1991.

Fuel Imports: Share in Exports and Imports

	As % of Merchandise Imports		As % of Merchandise Exports	
	1982	1986	1982	1986
Benin	17.6	12.1	95.8	38.0
Botswana	14.2	8.8	21.2	7.2
Burkina Faso	16.4	7.9	101.8	38.5
Burundi	15.4	17.9	37.5	22.5
Cape Verde	11.4	12.7	50.0	350.0
CAR	0.8	1.2	0.9	2.3
Chad	13.8	11.5	10.7	20.6
Comoros	15.1	13.5	25.0	25.0
Djibouti	9.2	8.0	161.5	75.0
Ethiopia	24.5	18.0	47.8	42.7
Eq. Guinea	14.3	3.2	35.2	15.4
Gambia	7.2	10.0	25.9	28.5
Guinea	11.0	11.4	8.2	10.9
Guinea Bissau	6.0	6.7	25.0	26.7
Liberia	26.9	23.6	24.1	15.0
Lesotho	7.4	4.8	105.4	73.0
Malawi	10.4	17.1	21.5	18.0
Mali	13.9	13.7	31.5	29.6
Mauritania	14.3	13.1	16.8	8.3
Mozambique	25.5	16.4	93.0	90.0
Niger	11.6	10.3	14.8	40.5
Rwanda	12.3	11.9	33.0	22.2
Sao Tome & Principe	46.7	13.3	50.0	22.2
Sierra Leone	20.0	22.4	53.9	23.4
Somalia	4.8	5.2	9.5	2.2
Sudan	21.2	15.6	54.5	45.0
Togo	11.3	10.3	24.9	15.7
Tanzania	26.0	30.7	64.8	74.2
Uganda	17.5	18.0	18.9	15.7

Source:(i) Import and Export Values from UNCTAD Commodity Yearbook, 1990.

(ii) Fuel Imports from ECA, Survey of Economic and Social Conditions in Africa, 1986-1987.

Imports of Machinery and Transport Equipment

Country	Machinery & Transport Equipment Imports as Proportion of Total Imports of Goods		As % of total Fixed Capital Formation	
	1982	1986	1982	1986
Benin	22.8	17.9	51.4	34.4
Botswana	25.4	21.5	54.2	72.9
Burkina Faso	22.3	12.8	66.9	72.7
Burundi	23.4	24.3	29.3	31.0
Cape Verde	17.1	22.7	48.0	80.6
CAR	16.5	36.5	40.3	103.3
Chad	28.4	23.3	59.6	109.8
Comoros	12.1	8.1	12.9	7.8
Djibouti	16.4	9.5	44.0	47.3
Eq. Guinea	21.4	17.0	100.0	41.2
Ethiopia	31.5	30.2	76.7	64.2
Gambia	17.5	13.0	43.5	37.1
Guinea	32.2	33.4	42.3	66.4
Guinea Bissau	38.0	40.0	65.5	88.8
Lesotho	16.0	9.3	35.0	31.6
Liberia	28.9	26.3	57.1	20.4
Malawi	21.8	23.6	26.5	27.9
Mali	26.2	23.4	40.0	34.8
Mauritania	51.6	47.5	69.1	60.6
Mozambique	21.7	15.2	15.6	88.3
Niger	23.4	34.8	32.7	30.2
Rwanda	27.1	26.1	36.9	36.9
Sao Tome & Principe	33.0	20.0	29.4	25.0
Sierra Leone	21.6	16.4	29.8	8.3
Somalia	29.2	11.4	21.2	16.9
Sudan	28.2	19.1	28.1	22.6
Togo	17.6	15.1	31.9	23.0
Uganda	40.3	41.2	31.6	28.2

Source: ECA Survey of Economic and Social Conditions in Africa, 1986-1987.

Direction of Exports (% of world)

Year	Industrial countries total	EEC	Japan	U.S.A.	Developing countries total	Africa	Socialist countries	World million US$
1978								
Developing Africa	80.67	56.84	6.73	7.50	17.52	5.04	1.64	42 078
African LDCs	75.76	49.61	5.82	6.59	22.22	7.05	1.26	8 190
1985								
Developing Africa	72.64	53.55	4.29	7.97	25.57	6.86	1.79	44 534
African LDCs	63.70	41.83	4.04	9.66	33.96	7.89	2.31	10 464
1990								
Developing Africa	72.86	55.81	5.18	6.39	25.66	7.58	1.48	61 940
African LDCs	65.01	44.28	11.03	4.41	33.13	9.69	1.83	14 528

Source: IMF, Direction of Trade Statistics, Yearbook 1985 and 1991.

Direction of Imports (% of world)

Year	Industrial countries total	EEC	Japan	U.S.A.	Developing countries total	Africa	Socialist countries	World million US$
1978								
Developing Africa	83.14	46.20	2.65	29.55	15.06	4.95	1.58	40 352
African LDCs	74.90	46.59	7.65	14.71	22.41	4.53	2.01	5 583
1985								
Developing Africa	81.09	57.60	1.95	17.62	17.36	4.43	1.55	58 024
African LDCs	73.24	54.98	5.56	10.95	23.70	4.83	3.01	5 718
1990								
Developing Africa	81.76	53.46	2.57	20.60	17.05	5.69	1.20	71 464
African LDCs	73.75	46.24	4.96	7.79	23.98	8.31	2.20	8 186

Source: IMF, Direction of Trade Statistics, Yearbook 1985 and 1991.

The Proportion (%) of African LDCs' trade going to (coming from) EEC

EXPORTS					
INCREASED			DECREASED		
	1978	1990		1978	1990
Markedly:			Markedly:		
Cape Verde	48.94	74.34	Benin	60.92	50.50
Comoros	61.50	73.26	Botswana	69.23	32.78
Mauritania	59.90	70.36	Burkina Faso	56.78	51.56
Sao Tome	36.84	57.78	Equatorial Guinea	54.55	34.82
Moderately:			Gambia	67.90	57.56
Burundi	54.32	56.87	Somalia	63.80	53.19
Guinea Bissau	56.36	65.05	Togo	66.60	48.09
Lesotho	33.33	34.43	Moderately:		
Malawi	50.34	57.83	CAR	70.00	63.98
Mozambique	35.47	40.08	Chad	77.69	72.93
Niger	60.44	62.72	Djibouti	54.20	48.83
Rwanda	50.79	54.08	Guinea	68.82	65.95
			Mali	50.21	46.42
			Sierra Leone	50.90	48.29
			Sudan	48.81	40.77
			Tanzania	51.57	49.23
			Uganda	49.09	44.04
IMPORTS					
INCREASED			DECREASED		
	1978	1990		1978	1990
Markedly:			Markedly:		
Burundi	51.22	79.82	Comoros	87.50	76.00
Cape Verde	0	44.44	Lesotho	40.00	26.19
CAR	74.55	84.75	Liberia	54.48	44.07

Chad	33.85	67.68	Malawi	68.08	43.62
Equatorial Guinea	70.00	93.10	Mali	74.44	34.15
Ethiopia	25 55	40.64	Mauritania	70.13	51.45
Guinea	40.55	53.02	Niger	94.74	71.58
Guinea Bissau	20.00	87.50	Togo	60.15	33.66
Rwanda	39.17	60.00	Moderately:		
Sao Tome & Prin.	80.95	100.00	Burkina Faso	56.52	52.35
Somalia	15.45	40.97	Mozambique	24.71	17.78
Uganda	40.00	72.77	Sudan	41.32	36.26
Moderately:					
Benin	35.85	43.30			
Botswana	21.67	25.53			
Djibouti	4.26	9.42			
Gambia	50.94	56.00			
Sierra Leone	62.95	66.98			
Tanzania	44.16	49.13			

Source: IMF, Direction of Trade Statistics, Yearbook 1985 and 1991.

Aggregate Balance of Invisible Transactions of African LDCs
1980-1988
(millions of SDRs)

	1980	1985	1986	1987	1988
Shipment	-883.4	-1069.3	-948.5	-865.0	-931.4
Other transportation	-124.3	-170.8	-172.1	-164.2	-171.2
Travel	-67.1	-68.6	-44.8	-59.0	-186.2
Direct investment income	-451.5	-764.0	-692.4	-745.7	-931.5
Private unrequited transfers	52.4	466.2	210.3	382.3	138.1
Official transactions	34.5	17.95	57.6	64.6	57.1
Other invisible transactions	309.7	252.3	252.9	241.8	249.6
Other goods, services and income	-109.7	-213.0	-238.0	-231.7	-284.3
Total deficit	-1239.4	-1336.3	-1337.0	-1146.0	-1775.5
As % of total merchandise for Africa	8.9	9.2	20.2	20.8	48.9

Source: Compiled from IMF Balance of Payments Statistics Yearbook, Vol.40, Part 1, 1989.

Balance of Invisible Transactions (services) of African LDCs (Millions of SDRs)

	Shipment			Other transportation			Travel		
	1980	1985	1988	1980	1985	1988	1980	1985	1988
Benin	30.1	-31.0a	n.a	2.1	3.2a	n.a	0.9	5.3	n.a
Botswana	3.0	-13.0	-22.0	-41.2	-21.9	-27.2	4.3	6.3	30.1
Burkina Faso	-59.9	-64.4	n.a	-32.3	-19.4	n.a	-20.8	-17.0	n.a
Burundi	-38.1	-39.1	-24.2	0.6	-8.9	0.4	-8.9	0.6	-11.1
CAR	-43.0	-48.0	-44.6b	-10.3	-4.5	-4.3b	-24.7	-20.6	-24.7b
Chad	-1.3	-43.2	-68.0b	0.0	-8.7	-6.1b	-10.4	-2.9	-38.8b
Comoros	-4.4	-9.5	-9.2b	-1.8	-1.8	-1.1b	-0.29	-5.9	-1.9b
Ethiopia	-78.7	-140.5	-144.1c	29.0	-14.9	-0.6c	1.9	3.4	0.6c
Gambia	-17.1	-11.6	-14.1	-2.9	0.7	0.8	14.5	16.7	24.8
Guinea Bissau	-6.2	-8.1	-6.3	0.1	-2.3	-2.1	-0.73	-0.4	-0.7
Lesotho	-16.0	-12.3	-14.4	-2.8	-3.2	-5.1	4.9	2.1	0.6
Liberia	-55.9	-42.4	-31.9b	3.8	0.2	21.3b	3.8	-24.3	-15.4b
Malawi	-99.1	-109.1	-91.4b	-14.3	-16.0	-10.1b	-0.5	0.4	4.4b
Mali	-93.7	-121.9	-108.5	-7.4	16.6	-13.2	-2.0	-12.2	-21.8
Mauritania	-30.6	-35.1	-30.9b	-19.0	-54.7	-52.4b	-8.2	-11.0	-52.4
Mozambique	9.6	-19.1	-25.2c	-19.7	-30.8	-29.0c	0.0	0.0	0.0c

Niger	-82.0	-51.4	-21.5	-10.0	-5.6	-4.7	-8.6	-3.2	-20.0
Rwanda	-39.5	-47.6	-32.0	-6.9	-1.8	-10.1	-6.9	-4.5	-6.6
Sao Tome & Principe	-4.1	-4.3	-2.3	-0.8	-6.9	-1.8	-0.2	-1.3	0.0
Sierra Leone	-30.7	-21.1	-11.9b	12.2	10.0	5.0b	3.2	1.7	2.2b
Somalia	-44.1	-67.9	-56.1b	-6.2	1.9	-6.4b	-5.4	-1.0	-7.9b
Sudan	-75.0	-24.4	-34.3	-0.3	0.6	0.0	6.0	-9.3	-51.1
Togo	-67.0	-40.0	-39.0	5.6	-2.2	-7.0	2.0	-3.2	3.0
Uganda	-42.0	-67.7	-94.4	-1.5	0.0	0.0	-11.0	0.0	0.0
Tanzania	-126.0	n.a	n.a	n.a	n.a	n.a	1.0	n.a	n.a

Source: IMF Balance of Payments Statistics, Vol. 40, Yearbook Part 1, 1989.

Balance of Invisible Transactions (services) of African LDCs (Millions of SDRs)

	Direct Investment			Private Unrequited Transfers			Official Transactions			Others		
	1980	1985	1988	1980	1985	1988	1980	1985	1988	1980	1985	1988
Benin	- 5.3	-29.1	n.a	32.5	28.9	n.a	0.4	-2.8	n.a	7.9	-30.2	0.0
Botswana	-35.5	-160.6	-343.8	-1.4	-3.1	10.2	2.6	5.2	4.1	41.0	-7.0	33.4
Burkina Faso	-13.6	-15.7	n.a	86.0	100.6	n.a	-1.0	11.0	5.1	21.3	-6.9	-3.5
Burundi	-10.4	-12.7	-13.1	9.8	9.8	7.5	-22.3	-33.5	-42.5	-7.7	-10.5	-8.0
CAR	2.0	-9.4	-11.8b	-12.8	-10.9	-18.3b	24.7	21.2	32.2b	-1.3	-12.3	3.2
Chad	-2.8	-4.8	-7.8b	-3.2	-1.6	-7.6b	-3.3	12.2	37.9b	0.0	-15.0	7.4
Comoros	0.5	-0.6	-0.9b	0.1	-2.9	0.7b	-0.7	-16.1	-10.3b	-0.3	-0.6	-0.1
Ethiopia	-0.6	-24.0	-34.4c	14.0	86.4	57.6c	7.3	14.8	44.6c	5.8	2.0	29.6
Gambia	-2.2	-0.1	-9.4	2.8	6.4	12.2	-11.6	-1.1	-5.6	0.0	0.0	-1.5
Guinea Bissau	-2.9	-5.2	-7.9	-12.7	-3.4	1.1	-0.6	0.4	0.3	-3.9	-8.6	6.8
Lesotho	1.9	7.7	-0.1	1.7	1.8	3.3	-11.2	-10.1	-15.0	253.3	227.5	247.9
Liberia	-18.4	-83.9	-75.1b	-22.3	-27.6	-16.5b	n.a	8.6	15.5b	2.4	-38.6	-56.9
Malawi	-114.4	-58.3	-21.1b	10.2	11.3	11.3b	0.0	0.0	0.0b	-2.3	-2.5	0.1
Mali	-27.6	-18.0	-22.7	31.0	46.0	34.0	-3.2	-4.6	-5.0	-8.1	-45.2	-50.2
Mauritania	-37.5	-38.2	-36.0b	-21.6	-19.9	-15.9b	-3.1	-1.4	1.7b	-11.0	-44.3	48.5
Mozambique	-4.7	-82.5	-131.9c	-19.4	-18.6	-19.6c	0.0	n.a	0.0c	-11.0	-71.1	44.3
Niger	-31.2	-46.9	-49.0	-44.0	-57.8	-33.5	-2.2	3.5	0.0	-50.1	-16.7	-38.9
Rwanda	-10.7	-3.9	-10.6	-2.5	4.3	7.8	10.4	-15.6	-28.2	-7.2	-4.6	-10.3
Sao Tome & Principe	1.3	-0.5	0.3	0.5	-0.2	0.0	-0.0	0.0	0.0	-0.2	-0.3	-0.9
Sierra Leone	-17.0	-31.5	-37.4b	6.4	7.7	0.0b	0.0	9.6	0.0b	7.4	-7.5	8.9
Somalia	-0.7	-5.4	-11.3b	44.0	159.0	30.7b	6.0	11.7	-4.9b	-1.9	-18.9	-5.6
Sudan	-87.7	-97.9	-38.5	161.0	243.4	62.7	41.4	20.0	16.2	53.7	11.2	7.8
Togo	-23.5	-37.6	-38.5	-0.6	7.6	9.7	4.1	9.2	14.3	15.1	-17.0	-20.3
Uganda	-10.5	-20.7	-15.0	-0.2	-0.3	0.0	4.2	-27.4	0.0	-17.1	-10.2	-79.3
Tanzania	n.a	n.a	n.a	13.0	0.0	0.0	n.a	n.a	n.a	n.a	n.a	n.a

Source: IMF Balance of Payments Statistics, Volume 40, Yearbook, Part 1, 1989.

a: 1984 value; b: 1989 value; c: 1986 value

Payments to foreign carriers for transport service as a proportion of total exports of goods and services from Landlocked African LDCs

	Transport payments (million dollars)		Total Exports of goods and services (million dollars)		Transport payment ratio (per cent)		Debt Service ratio a/ (per cent)	
	1987	1989	1987	1989	1987	1989	1987	1989
Botswana	51.2	103.0	1866.3	2174.4	2.7	4.7	4.8	5.0
Burkina Faso	54.7b	66.9c	174.9b	200.8c	31.3b	33.3c	15.9	18.9
Burundi	23.5	32.1	121.2	117.4	19.4	27.3	23.5	31.2
CAR	66.5	61.4e	188.3c	197.7e	35.3c	31.1e	12.0	15.5
Chad	105.1	96.2	168.3	199.0	62.4	48.3	3.0	4.1
Lesotho	15.8	21.8f	346.1	480.7f	4.6	4.5f	4.7	4.9
Malawi	71.9c	167.3f	279.5c	334.8f	25.7c	50.0f	34.1	32.6
Mali	148.1	143.3	346.7	345.4	42.7	42.6	14.5	27.1
Niger	52.2d	42.6	316.4d	368.7	16.5d	11.6	40.5	43.1
Rwanda	52.0	45.6	177.8	161.6	29.2	28.2	10.9	14.1
Uganda	121.2	126.9f	319.6	272.9f	37.9	46.5f	9.5	53.4
All developing countries	41456.0	49325.0	669532.0	847204.0	6.2	5.8	19.5	20.3

Source: UNCTAD: Progress in the implementation of specific actions related to the particular needs and problems of landlocked developing countries, A/46/496.

a: Total external debt including short-term and the use of IMF credit

b: 1984; c: 1986; d: 1985; e: 1987; f: 1988.

Structure and Significance of Insurance Markets in African LDCs
(1986)

Country	Percentage of insurance lines						Gross Premium as % of GDP	
	100%		100 %					
	Life	non-Life	Fire	Auto	Transport	Others	Life	Non-Life
Benin	4.2	95.8	9.5	53.0	31.5	6.0	0.02	0.48
Botswana	23.5	76.5	24.3	35.5	5.5	34.7	0.06	0.86
Burkina Faso	4.3	95.7	21.4	40.7	27.8	10.2	0.03	0.75
Burundi	1.1	98.9	12.6	38.6	38.2	9.5	0.01	0.89
Cape Verde	0.0	100.0	15.2	16.0	49.3	19.5	0.00	2.34
CAR	0.7	99.3	13.4	20.7	19.5	46.4	0.003	0.51
Chad	0.3	99.7	37.0	50.0	8.7	4.3	0.00	0.25
Ethiopia	2.8	97.2	10.3	39.1	32.2	18.4	0.04	1.39
Gambia	3.5	96.5	15.9	51.9	16.3	15.8	0.03	0.96
Lesotho	0.0	100.0	22.3	34.8	26.8	16.0	0.15	1.69
Malawi	31.9	68.1	28.2	40.8	3.7	27.3	0.56	1.19
Mali b/	1.0	99.0	26.3	54.0	14.0	5.7	0.01	0.45
Mauritania	0.0	100.0	51.8	24.8	18.8	4.6	-	-
Mozambique	6.4	93.6	12.8	16.8	33.6	37.5	0.00	0.006
Niger	1.1	98.9	16.4	45.0	28.5	10.2	-	-
Rwanda	0.8	99.2	6.0	55.9	28.4	9.7	0.006	0.76
Sudan	1.3	98.7	21.5	25.0	45.6	7.9	0.01	0.53
Togo	3.0	97.0	31.1	38.4	30.5	0.0	0.03	1.14
Tanzania a/	22.0	78.0	28.6	29.8	18.2	23.4	0.21	0.76

Source: UNCTAD Statistical Survey on Insurance and Reinsurance Operations in Developing Countries, 1984-1986, TD/B/C.3/231

a/: 1985 figures; b/: 1983 figures

Note: Gross premium as percentage of GDP (average value) for the United States, Canada, Japan and Western European countries was 5.63 per cent in 1986.

E/ECA/LDCs.11/EXP.10/4
Annex 20

Island African LDCs - Service Credit in GNP (i)

	GNP at market prices		Per capita income		Sectoral distribution of GNP per Capita (%)		
					Agriculture	Industry	Services
	1987	1988	1987	1988	1987	1987	1987
Cape Verde	170	343.8	500	955	21	29	50
Comoros	160	205.9	380	420	42	14	44
Sao Tome & Principe	32	n.a	280	n.a	27	21	52

Source: UNCTAD: Problems of Island Developing Countries and Proposals for concrete action TD/B/AC.46/2

a/: 1987; b/: 1988

Note: Figures for Exports (1988) are extracted from World Debt Tables 1989-90

Figures for Travel, Private Transfers and Service Total were computed from IMF, Balance of Payments Statistics, 1989 Yearbook, Volume 49.

E/ECA/LDCs.11/EXP.10/4
Annex 21

Service Credit i GNP (ii)

	Exports	Service credit of which:			Imports	Imports as % of GNP
	1988	Total	Travel	Private Transfer	(1987)	(1987)
Cape Verde	32.0	n.a	n.a	n.a	124.0	72.9
Comoros	27.0	13.62 a/	2.06 a/	0.72 a/	60.0	37.5
Sao Tome & Principe	11.5	1.7 b/	0.7 b/	0.2 b/	17.0	53.1

Source: Same as Annex 20.

Annex 22

Remittances of nationals abroad in selected African LDCs

Country	Remittances ($m)*		Remittances as percentage of merchandise exports	
	1980	1986	1980	1986
Botswana	86.9	43.7	16.0	5.2
Burkina Faso	163.8	105.1	102.0	74.6
Cape Verde	38.0	22.0	422.2	666.7
Chad	0.5	18.2	0.5	29.4
Comoros	1.6	4.8	14.3	23.5
Ethiopia	32.9	228.2	7.9	67.8
Lesotho	265.4	275.0	433.1	1122.4
Malawi	32.1	27.3	11.3	11.3
Mali	59.3	45.0	28.9	23.5
Rwanda	14.0	26.2	10.5	14.2
Somalia	57.3	46.8	43.0	52.9
Sudan	262.5	115.0	38.1	35.1
Tanzania	48.0	26.1	9.4	7.2

Source: UNCTAD: The Least Developed Countries, 1988 Report, p.62.

* Remittances include unrequited private transfers and labour income receipts.

Average Value and Growth Rates of FDI Inflows
by Region 1970-1979 and 1980-1987 (US$m)

Region	Average Values		Average Growth Rate	
	1970-1979	1980-1987	1970-1979	1980-1987
All countries	21,989.45	59,027.10	16.57	12.23
Developed market Eco.	16,559.40	45,415.33	16.03	13.41
Europe	10,148.18	18.531.28	13.52	9.16
N. America	4,957.51	24,059.75	25.57	16.82
Japan	125.97	420.78	13.72	28.05
Developing Countries	5,442.82	13,611.31	18.45	8.19
Africa	739.81	1,558.36	22.73	-0.17
Latin America	2,998.89	6,094.58	18.79	5.21
West Asia	288.54	444.23	17.44	6.25
Total Asia and Oceania	1,322.07	5,400.20	15.24	14.56

Source: IMF, Balance of Payments Tape.

Average FDI Inflows to African LDCs: 1970-1987

Region	Average Value of FDI Inflows ($M)		Growth rate of FDI inflows (as % of African Total)	
	1970-1979	1980-1987	1970-1979	1980-1987
Benin	2.74	0.80	-12.57	-76.79
Burkina Faso	1.91	1.01	6.98	0.00
Cape Verde	0.00	0.00	-	-
Central African Republic	4.43	5.80	53.93	0.25
Chad	12.31	11.88	-0.54	4.81
Djibouti	0.00	0.00	-	-
Equatorial Guinea	0.00	0.00	-	-
Guinea-Bissau	0.00	0.00	-	-
Lesotho	0.00	3.71	-	-5.77
Liberia	16.45	14.73	0.00	19.02
Mali	1.25	3.48	0.00	1.82
Mauritania	-3.86	10.33	-179.62	-28.86
Rwanda	3.71	16.40	38.04	1.05
Mozambique	1.03	0.76	22.65	-89.93
Sao Tome and Principe	0.00	0.00	-	-
Ethiopia	10.85	0.00	-3.99	-
Sierra Leone	9.57	-1.16	9.06	-228.57
Somalia	2.90	-3.10	-17.24	0.00
Uganda	0.47	0.00	-61.90	87.32
Burundi	0.19	2.71	-23.39	-21.59
Gambia	2.10	1.11	61.90	87.32
Niger	13.91	9.69	36.90	-70.64
Sudan	-0.08	0.75	0.00	0.00
Malawi	9.04	1.71	-12.05	-79.25
Tanzania	4.26	4.59	12.78	-28.34
Comoros	0.00	0.00	-	-
Togo	13.92	7.51	41.59	-80.44
Botswana	15.41	72.03	92.22	2.72
Guinea	0.00	0.00	-	-
Total African LDCs	111.0	156.22		
As % of Total for Africa	15.0	10.02		
As % of total for Sub-Saharan Africa	39.31	26.47		

Source: Based on International Monetary Fund, Balance of Payments Tape (Print-out)

African LDCs: External Liabilities 1985-1989

	Stock (in million US$)		% of Exports of Goods and Services	
	1985	1989	1985	1989
Foreign direct investment	147.8	171.8	1.57	1.6
Total external debt	34,402.0	49,913.0	366.7	453.6
Short-term debt	4,008.0	6,474.0	42.7	58.8
Long-term debt	28,092	40,943	299.4	372.1

Source: IMF, Balance of Payments Tape, World Debt Tables 1990.

Net Capital Inflow into African LDCs (1985-1988)

Region	Long-term Capital			Short-term Capital inflow		
	1985	1987	1988	1985	1987	1988
Benin	-11.6	-153.0	-	42.2	n.a	n.a
Botswana	-		-	20.0	-0.6	-46.9
Burkina Faso	22.4	-	61.2	0.7	n.a	n.a
Burundi	52.2	n.a	58.5	10.5	19.8	11.8
Central African Republic	105.2	51.0	43.0	-16.9	0.9	n.a
Chad	-.61	n.a.	4.11	4.0	8.4	n.a
Comoros	-	173.5	207.1	-1.43	1.73	n.a
Ethiopia	-	-		45.8	-0.7	n.a
Gambia	2.0	10.13	8.56	1.27	- 31.78	-4.92
Guinea-Bissau	70.42	21.35	27.86	8.41	- 28.29	5.75
Lesotho	25.0	26.9	25.7	-10.5	6.5	-1.3
Liberia	-67.8	-92.6	n.a	161.0	225.0	213.3
Malawi	4.7	31.0	23.8	-2.7	3.8	n.a
Mali	111.1	69.4	103.1	27.2	14.1	-35.8
Mauritania	77.0	116.9	66.8	2.6	10.9	n.a
Mozambique	141.1	-43.9	-	147.9	433.1	n.a
Niger	537.7	791.2	71.2	24.8	15.8	-16.3
Rwanda	58.6	72.2	49.6	4.7	8.8	5.1
Sao Tome and Principe	7.9	4.6	1.3	2.3	n.a	3.2
Sierra Leone	-36.8	-139.1	3.6	95.9	8.1	n.a
Somalia	76.5	54.4	-	10.8	3.4	20.0
Sudan	-104.6	-180.7	54.8	79.9	476.8	183.3
Togo	28.4	9.8	8.7	17.6	-17.8	-61.4
Uganda	19.5	68.4	102.1	78.1	48.3	34.7

Reserves Position of African LDCs (1985-1989)

	Gross International Reserves (In million US dollars)		Months of Import Coverage	
Region	1985	1989	1985	1989
Benin	8	9	0.17	0.2
Botswana	783.2	2,841.1	6.9	24.8
Burkina Faso	143.0	270.0	1.7	3.3
Burundi	35.0	107.0	1.5	4.6
Cape Verde	48.4	n.a	..	-
C.A.R.	53.0	118.0	1.7	3.7
Chad	37.1	133.4	0.9	3.3
Comoros	11.9	30.8	-	-
Djibouti	46.0	59.2	-	-
E. Guinea	3.5	0.8	-	-
Ethiopia	216.0	123	2.0	1.2
Gambia	1.7	20.6	-	-
Guinea	n.a	n.a	-	-
Guinea-Bissau	10.4	14.7	-	-
Lesotho	43.5	49.0	1.2	1.4
Liberia	2.0	8.0	0.0	0.3
Malawi	43.0	106.0	1.3	3.3
Mali	29.0	123.0	0.04	2.5
Mauritania	63.0	87.0	0.8	1.1
Mozambique	n.a	n.a	n..a	n.a
Niger	140.0	217.0	3.5	5.5
Rwanda	113.3	70.4	3.2	1.9
Sao Tome & Principe	12.4	n.a	n.a	n.a
Sierra Leone	11.0	4.0	1.8	0.6
Somalia	9.0	23.0	0.21	0.54
Sudan	12.0	176.0	0.1	1.5
Tanzania	16.0	54.0	0.12	0.54
Togo	301.0	290.0	2.8	2.7
Uganda	27.0	14.0	0.5	0.3
Total LDCs	2219.9	4949	-	-

Source: Compiled from IMF World Debt Tables 1990/91, Vol. 2, Country Tables and World Development Report 1989.

Debt and Debt Service Ratios (1980-1989)

ion	Debt/Exports (%)				Debt/GDP (%)			Debt Service/Export (%)		
	1980	1985	1987	1989	1985	1987	1989	1985	1987	1989
in	303.5	307.5	390	303.5	75	70	72.0	16	10	7
swana	17.8	37.8	26.1	26.5	37	41	23.0	5	4	4
kina Faso	88.3	182	194.8	182.6	37	36	30	10	8	9
undi	180.1	3363	675	754.4	39	69	82	19	38	33
e Verde	-	249	493	-	72	57	46	13	28	n.a
.R.	94.8	174.3	314.8	336.0	50	59	66	14	14	14
ad	305.8	160.5	158.9	163.4	26	40	37	17	4	5
moros	280.1	538	586	443.4	117	103	88	9	5	9
ibouti	-	87.3	93.0	-	41	47	n.a	4	7	n.a
Guinea	574.2	548	584/0	723.4	172	159	183	42	31	19
hiopia	136.2	334.7	429/2	416.8	39	50	51	27	42	39
mbia	206.6	274	295/2	203.5	166	206	173	10	20	11
inea	201.9	282.7	348.1	292.8	78	103	85	14	26	15
inea-Bissau	900.2	1680.4	1788.0	1696.5	195	167	274	48	42	43
sotho	19.5	60.7	37.5	40.5	36	39	83	7	2	3
beria	111.8	206.2	386.5	-	121	159	n.a	9	3	n.a
lawi	260.8	360	451.4	411.3	94	116	89	39	36	28
li	227.5	486	490.8	605.2	141	110	105	18	16	19
uritania	306.7	372.	434.9	394.8	226	247	213	25	26	20
zambique	-	1652.4	1820.8	1842.4	87	337	474	32	16	25
ger	132.8	379.3	368.5	428.1	86	81	79	34	33	33

nda	103.4	215.4	339.3	415.3	22	28	30	10	13	19
Tome and ncipe	100.7	640.6	987.4	1197.6	187	224	330	29	39	45
rra Leone	155.6	349.5	408.9	-	49	178	119	13	7	-
alia	252.0	1280	1412.6	2253.8	198	207	203	16	26	34
lan	499.3	733	1358.5	1051.2	144	120	83	12	10	8
nzania	334.2	894	1080.6	391.4	60	151	187	23	24	17
go	180.1	229	260.6	246.2	129	106	92	27	20	19
anda	221.7	315	510.7	700.9	40	50	45	43	34	81

rce: (1) ECA Survey of Economic and Social Conditions in African LDCs, 1991.
(2) World Debt Tables, 1990-91.

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Net Resource Flows on Debt (long-term) to African LDCs
US$ million

	1985	1986	1987	1988	1989
Loan disbursement	3,082.6	3,319.3	3,605.7	3,589.5	3,002.3
Principal repayment	1,192.3	1,876.2	1,199.0	1,380.8	1,035.3
Net flows	1,890.3	1,443.1	2,406.7	2.208.7	1,967.0
Loan interest	690.0	693.9	845.3	968.8	661.2
Net transfer	1,200.3	749.2	1,561.4	1,233.9	1,305.2
Interest payment as % of net flows	36.5	48.0	35.1	43.8	33.6
Interest payment as % of export earnings	8.3	8.0	8.2	9.0	8.0
Total debt service as % of export earnings	22.6	29.7	19.8	21.9	20.4
Interest payment as % of GDP	1.4	1.4	1.7	1.9	1.7
Total debt service as % of GDP	3.96	5.25	4.05	4.5	4.0

Source: World Debt Tables 1990/91

African LDCs - Structure of Long-term Debt (in billion US$)

	1980	1985	1986	1987	1988	1989
Official Creditors	11.80	23.10	26.70	33.40	35.70	35.16
Multilateral	3.97	8.38	10.0	12.35	14.02	
Concessional	2.75	7.12	8.0	9.97	11.23	12.50
Non-concessional	1.22	1.26	2.0	2.38	3.40	1.97
Bilateral	7.83	14.72	16.70	21.05	21.68	20.69
Concessional	5.68	10.37	11.82	13.89	14.79	12.09
Non-concessional	2.15	4.35	4.88	7.16	6.89	8.60
Private Creditors	3.60	4.28	4.29	5.02	4.41	4.03
Bonds	-	-	-	-	-	-
Commercial Banks	1.05	2.09	2.29	2.80	2.55	2.46
Other private	2.55	2.19	2.0	2.22	1.86	1.57
Total long-term Credit	15.4	27.38	30.99	38.42	40.11	39.11
Memoranda items						
Non-concessional as % of total Official credit	28.5	24.2	25.7	28.5	28.9	30.0
Bilateral as % of total official credit	66.3	63.7	62.5	63.0	60.7	58.8
Private as % of total credit	23.3	15.6	13.8	13.1	10.9	10.3
Official as % of total credit	76.6	84.3	86.1	86.9	89.0	89.9
Concessional as % of total official credit	71.1	75.7	74.2	71.4	72.0	69.0
Non-concessional as % of official credit	28.5	24.2	25.8	28.5	28.8	30.1
Concessional in bilateral flows	72.5	70.4	70.7	65.9	68.2	58.4

Source: World Debt Tables 1990/91A.

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